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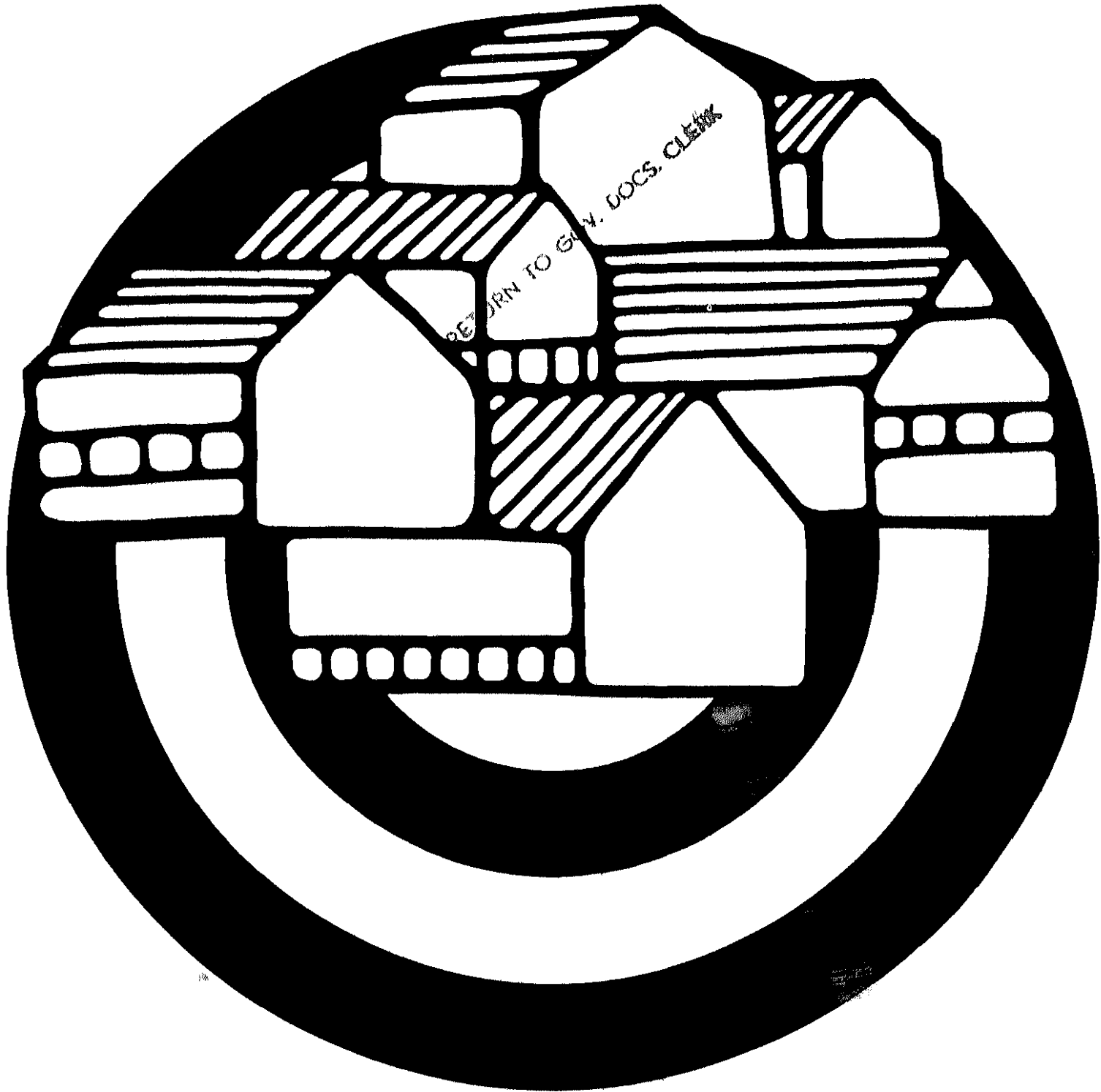
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July 1979
HUD-PDR-107-5



Targeting Community Development



TARGETING COMMUNITY DEVELOPMENT

by

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and Associates

Third Report on the Brookings Institution Monitoring Study
of the Community Development Block Grant Program
Prepared under Contract H-2323R

U.S. Department of Housing and Urban Development
Washington, D.C.
January 1980

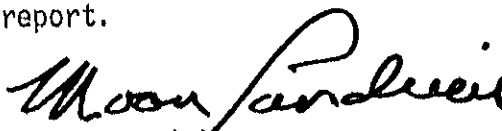
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FOREWORD

This report, which covers the third and fourth years of the Brookings Institution's six-year monitoring study of the continuing evolution of the Community Development Block Grant Program at the local level, should be of considerable interest to policy-makers and academic researchers alike.

The substance cannot be summarized in a foreword, nor should it be attempted. It is heartening, however, to be able to report that the study confirms some of our hopes: that although HUD's monitoring of local decision-making has increased, decentralization of decision-making "continued to be the dominant process characteristic of the third and fourth years" of the program. It also confirms that, as the result of HUD's insistence on targeting, the level of benefits to lower-income groups has increased.

Fred Eggers, Director, and Harriet Newburger of the staff of the Office of Policy Development and Research's Division of Evaluation have overseen this study for HUD; their effectiveness has strengthened an already valuable report.


Moon Landrieu
Secretary

ACKNOWLEDMENTS

The authors would like to express their appreciation to a number of persons who contributed to this research project and to the preparation of this report. From Brookings, valuable contributions to the interim and final reports were made by James Musselwhite, who worked particularly on the process chapters; Michael Rich, who had general responsibility for the computer work and assisted with the program and benefit chapters; and Carla Kruytbosch, who assisted with the computer tasks and developed the data for the minority benefits section. The draft and final manuscripts were prepared by Cynthia Crocke. The manuscript was edited by Andrea De La Garza of Editorial Experts, Inc., under the supervision of David Aiken.

Paul R. Dommel
Project Director

Washington, D.C.
February 1980

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Chapter 1

INTRODUCTION

During its first 2 years, the theme of the community development block grant (CDBG) program was decentralization. In our second report on the program, we said, "There has been significant decentralization of substantive decision-making, with local officials exercising more control over community development policy than they did under the categorical program. It is too soon, however, to make a final judgment on the extent of decentralization."¹ We also noted that during the second program year there was evidence that the Federal Government was beginning to take a more active role in guiding program decisions. This report on the third and fourth years of the program picks up at that point.

With the coming of the Carter administration in early 1977, when many jurisdictions were submitting third-year applications, there were clear signals from the Department of Housing and Urban Development (HUD) that HUD officials were going to look more closely at local programs, especially at the distribution of "targeting" of benefits to lower income groups. Just a month after taking office, the new HUD Secretary, Patricia R. Harris, told a House subcommittee:

We will expect communities to direct development and housing programs toward low- and moderate-income citizens. I do not consider this to be just an objective of the block grant program; it is the highest priority of the program, and we in the federal government must see to it that the thrust of the program serves that objective.²

1. Paul R. Dommel, Richard P. Nathan, Sarah F. Liebschutz, Margaret T. Wrightson and Associates, Decentralizing Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office, June 2, 1978), p. 11.

2. Housing and Community Development Act of 1977, Hearings Before the House Subcommittee on Housing and Community Development of the Committee on Banking, Finance, and Urban Affairs, 93d Cong., 1st sess. (1977), pt. 1, p. 9.

As a result of this targeting policy emphasis, a conflict emerged between that programmatic goal and the process-oriented goal of decentralized decisionmaking. This conflict between CDBG goals led to tension both between HUD and some local officials and between HUD and several important members of the House of Representatives. Chapter 2 discusses this issue.

In selecting the theme for this report, we considered decentralization revisited, recentralization, and targeting. We chose targeting because it was the central policy issue during the third and fourth years of the program as well as the area that our monitoring research indicated is the direction of the CDBG program at the local level. Although this report describes the third and fourth years of the CDBG program, in several sections the data and discussion cover the first 4 years of the program to show the important trends since the program began in 1974.

Monitoring Method and Sample

The CDBG research, started in spring 1975, is one of three monitoring projects being carried out by the Monitoring Studies Group, a unit of the Governmental Studies Program at The Brookings Institution. Two reports on the CDBG program have been published, covering the first and second program years.³

Methodology

The monitoring methodology involves a national network of resident observers, primarily political scientists and economists, who study an agreed-upon set of process and program issues in communities where they live or in nearby communities with which they are familiar. The field associates base their analysis on available government data, budget and program data, and interviews with key officials and participants in the decisionmaking process. The central staff maintains contact with the associates, reviews and codes the field data, and conducts the overall analysis. The

3. Richard P. Nathan, Paul R. Dommel, Sarah F. Liebschutz, Milton D. Morris and Associates, Block Grants for Community Development, Department of Housing and Urban Development (Washington, D.C.: Government Printing Office), January 1977; also Dommel et al., Decentralizing Community Development.

monitoring approach involves an on-the-scene, longitudinal analysis by experienced field observers who operate within a uniform analytical framework.

An important feature of the monitoring methodology is the research conference, where the central staff and the field associates discuss the principal policy issues to be studied and develop the final field analysis form (appendix 1). The conference for the third round of CDBG monitoring was held on April 27-28, 1978, in Washington, D.C. The field research was done during the summer of 1978, and associates submitted their reports in the fall.

To be most effective, monitoring research must begin with the start of a program and continue over several years with periodic field observations. HUD contracted with Brookings to monitor the CDBG program for a 6-year period, beginning with the first program year in 1975 and running through the sixth program year in 1980. The fourth and final report, covering the fifth and sixth program years, will be completed in 1981. This longitudinal approach has made it possible to introduce important changes in research methodology and in the policy focus of the reports.

As discussed in chapter 7, one of the major changes made in our research was the way we measured benefits to low- and moderate-income groups. At the policy level, the longitudinal approach has allowed us to focus the research on different policy issues as they emerged and to examine the effects of those policy changes at the local level. In the period covered by this report, important policy changes have resulted from the change in administrations in 1977, the amendments of the CDBG law in the same year, and the major revisions of the program regulations in 1978.

Sample

The field research is based on observations in 61 jurisdictions selected to take into account a mix of characteristics: (1) type of recipient--central city, satellite city, urban county, nonmetropolitan jurisdictions; (2) regional location; (3) population size; (4) income level; and (5) previous categorical grant experience. Appendix 2 lists the full sample.

Because we had to cluster the sample jurisdictions geographically so that one field associate could report on two or more units, we could not use random sampling procedures. Although the sample is not designed to be statistically representative of jurisdictions participating in the national

program, it is considered to be sufficiently diverse to provide a good picture of major trends in the CDBG program. It should be noted, however, that the sample is weighted toward the larger jurisdictions. In the fourth program year, the 61 sample jurisdictions received \$878.9 million, or 23.4 percent of the total program funds.

Table 1-1 groups the sample jurisdictions by type of jurisdiction and previous categorical experience; table 1-2 shows regional distribution; table 1-3 shows the sample by population size.

Major Issues and Findings

In the following chapters we will discuss the major program and process effects of the CDBG program. To set the context for the report, chapter 2 summarizes legislative and regulatory issues that influenced CDBG policy and programs in the third and fourth years, particularly the issue of targeting benefits to lower income groups. Chapters 3 and 4 examine intergovernmental issues and the structure of local decisionmaking processes. Chapter 5 discusses local program allocations and trends.

Targeting benefits to the low- and moderate-income groups is the subject of chapter 6, which also presents data on the allocation of CDBG funds to areas having communities with high concentrations of minority populations. Chapter 7 focuses on program execution findings and looks ahead to the final Brookings monitoring report.

Here are the major findings of this report:

First, the role of HUD in local decisionmaking expanded substantially during the third and fourth program years. HUD has assumed a more active role in substantive decisions, particularly decisions about the targeting of CDBG program benefits. These shifts in HUD-local relationships are more evident in suburban jurisdictions--satellite cities and urban counties--than in central cities (see chapter 3).

Second, although the HUD role has increased, the decentralization of CDBG decisionmaking observed during the first 2 years continued to be the dominant process characteristic during the third and fourth years. Since the second year, there has been a tendency at the local level toward greater dispersion of influence over local program decisions among local executive officials and other participants, particularly citizen participants. This growing citizen role is the result of increased citizen sophistication and program

Table 1-1. Type of Jurisdiction and Level of Pre-CDBG Grant Experience

Community type	Number in sample	Percentage of all entitlement jurisdictions	Number of jurisdictions with--		
			High previous categorical experience	Moderate previous program experience	Low previous categorical experience
Central cities	30	8.1	15	12	3
Satellite cities	12	7.6	4	0	7
Urban counties	10	12.8	2	0	6
Nonmetropolitan areas	9	a	6	0	0
Total jurisdiction	61	8.5 ^b	27	12	16

Source: Calculated by authors from U.S. Department of Housing and Urban Development data.

Note: Based on the ratio for each recipient unit of its per capita amount received under the previous programs to the national per capita mean. "High" is more than 150 percent of the national mean of \$17.63 per capita (annual average, 1968-72); "moderate" is between 50 percent and 150 percent of this amount; and "low" is 50 percent or less.

- a. The number of nonmetropolitan jurisdictions receiving grants varies each year.
- b. The nine nonmetropolitan jurisdictions are excluded.

experience as well as HUD's neighborhood targeting policy, which encourages neighborhood-based participation (see chapter 4).

Third, at the program level there is a trend toward allocating a larger share of funds for packaging physical development and service activities to upgrade neighborhoods. This trend is most evident in suburban cities, which have tended to shift from general development activities to neighborhood-oriented programs. Increased neighborhood targeting appears to be the result of a greater HUD involvement in program design (see chapter 5).

Fourth, housing remains the single largest activity under the block grant program. Allocations to continue urban renewal projects have further declined, but there has been a substantial increase in economic development activities; however, this remains one of the smallest program categories. Although social services and social service facilities have remained relatively constant in percentage terms over the 4 years, the amount of dollars going to this category has gone up because of the larger amount of total program funds and the effects of the dual formula in some sample jurisdictions (see chapter 5).

Finally, primarily as a result of HUD policy to direct more benefits to lower income groups, the level of such benefits has gone up in the sample jurisdictions. The greatest benefit increases have been in the suburban cities, where HUD involvement in the benefits issue has been greatest. As a result, the level of benefits to lower income groups in the 41 jurisdictions of the benefits sample (central and satellite cities only) increased from 54 percent in the first year to 62 percent in the fourth year. There has been a substantial decline in the number of jurisdictions allocating less than half of their program benefits to low- and moderate-income groups. In the first year, 15 of the 41 jurisdictions allocated less than 50 percent of their benefits to lower income groups; by the fourth year, only 4 jurisdictions were in this category (see chapter 6).

Table 1-2. Regional Distribution of Sample Jurisdictions

Region	Number in sample	Percentage of sample	Percentage of all entitlement jurisdictions ^a
Northeast	16	26.2	9.2
Midwest	16	26.2	8.4
South	15	24.6	7.1
West	14	23.0	9.8
Total jurisdictions 61		100.0	8.5

Source: From U.S. Census Bureau data.

a. The nine nonmetropolitan jurisdictions are excluded.

Table 1-3. Distribution of Sample by Population Size

Population size	Number in sample	Percentage of sample	Percentage of all entitlement jurisdictions
More than 1,000,000	7	11.5	87.5
500,000 to 1,000,000	11	18.0	36.1
250,000 to 500,000	11	18.0	13.7
100,000 to 250,000	9	14.8	7.4
Less than 100,000	23	37.7	3.8 ^a
Total jurisdictions	61	100.0	8.5 ^a

Source: From U.S. Census Bureau data.

a. The nine nonmetropolitan jurisdictions are excluded.

CHAPTER 2

THE CHANGING LEGISLATIVE AND ADMINISTRATIVE SETTING

During the third and fourth years of the CDBG program, significant changes occurred in the legislative and administrative setting of the program. Several of these changes involved the allocation of Federal resources, both among recipient jurisdictions and within them. The use of the dual formula called for in the 1977 amendments improved the targeting of block grant funds to the older, declining cities. New HUD policies, developed in 1977 by Secretary Harris and Assistant Secretary for Community Planning and Development Robert C. Embry, Jr., were aimed at changing the distribution of benefits within jurisdictions through more social and geographic targeting of local CDBG activities. Other legislative and regulatory changes sought to expand citizen participation in local CDBG decisionmaking, improve the planning and formulation of local goals in the housing assistance plans (HAP's), and expand the eligibility of economic development activities.

This report discusses how these efforts influenced local decisionmaking procedures and program decisions. To put our findings for the third and fourth years within the proper policy context, this section reviews the major legislative and administrative changes that occurred in the CDBG program since early 1977. As noted, the principal effects of the legislative and regulatory changes involved three aspects of targeting--formula, social, and geographic.

Targeting

The CDBG program has two levels of targeting. The first is interjurisdictional or formula targeting, which is related to the entitlement and formula allocation system. The second is intrajurisdictional targeting, which refers to the distribution of activities and benefits within a community. Intrajurisdictional targeting has two aspects: (1) the distribution of benefits to lower income groups, a principal legislative objective; and (2) the geographic distribution of activities relative to the areal concentration or spreading of projects. Although these two aspects of targeting have different definitions,

income and geographic targeting are closely related in operation because increasing benefits to lower income groups frequently results in geographic concentration of activities; conversely, increasing geographic funding often means greater benefits for lower income groups.

Formula Targeting

Under the 1974 formula, which was based on population, overcrowded housing, and poverty (double weighted), many of the more seriously distressed communities faced deep cuts in block grant allocations by the sixth program year, when the formula system would be fully implemented. Consequently, when the CDBG program came up for renewal in 1977 the administration and many members of Congress supported a change in the allocation formula that would increase the targeting of Federal funds to older, declining cities.

The 1977 amendments adopted a dual formula, which took effect in the fourth year and greatly increased the allocation of funds to many jurisdictions, particularly the declining central cities of the Northeast and Midwest.¹ For cities that had done well under categorical grants, the dual formula either reduced the losses that would have occurred when the hold-harmless entitlements ended in the sixth year or resulted in more money than they had received under the categorical.² Under the dual formula approach, a second allocation formula was adopted based on the age of housing (as a proxy for community age), poverty, and population growth lag. The dual formula system provided that each jurisdiction was to receive the higher allocation of the two formulas; thus, no jurisdiction's formula entitlement would be less than the amount received under the original formula. The added cost

1. For a full discussion of the formula change and its impact, see Dommel et al., Decentralizing Community Development, chapter 2.

2. Under the hold-harmless provisions of the law, for the first 3 years of the program communities received the same grant amount as their average grants between the years 1968-72; in the fourth year entitlement cities were phased down by one-third of the difference between the formula and hold-harmless amounts; in the fifth year there was another one-third reduction; and in the sixth year a city would receive its formula entitlement.

of this system was funded by increasing the overall program authorization and by diverting discretionary funds from small metropolitan communities with less than 50,000 population to the older, declining entitlement cities.

The first and second Brookings monitoring reports analyzed the evolution and adoption of the dual formula concept in detail, so we will not repeat the discussion here. It is worth noting, however, that several jurisdictions in the monitoring sample received more money under the dual formula in the fourth year. Chapter 5 discusses the effects of the added funds in those jurisdictions.

Social Targeting

Social targeting refers to the objective of the CDBG law that seeks to direct benefits to lower income groups. Social targeting provisions appear in two portions of the Housing and Community Development Act of 1974. Section 104(b)(2) requires that participating jurisdictions give "maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention of slums and blight." Section 101(c) mandates that projects benefit "principally persons of low and moderate income." The presence of social targeting objectives in the legislation, and the language in which they were cast, resulted primarily from the work of the Senate Committee on Banking, Housing, and Urban Affairs. Although these terms provided the legislative basis for social targeting, they were not defined in the law, leaving it to program administrators to establish operational meanings.

An earlier version of social targeting legislation--the Better Communities Act--was submitted by the Nixon administration to the Congress in early 1973. The act emphasized decentralization and permitted local officials "to use [the funds] with broad discretion in light of their evaluation of their own community development needs. . . ."3 Other than decentralization--in which the categorical grant programs were to be replaced by "a simple, more certain, and more expeditious system" of Federal aid--the act did not state any national objectives.⁴

3. H.R. 7277 (Better Communities Act), 94th Cong., 1st sess., sec. 2(a)(3).

4. Ibid., sec. 2(b).

The Senate, acting first on the legislation as proposed by the Nixon administration, made major revisions in the national objectives: It eliminated the decentralization language and substituted a series of national objectives that included the social targeting language. In reporting out the legislation in February 1974, the Senate committee stated that the program's primary purpose was "the development of viable urban communities by provision of decent housing, suitable living environments and expansion of economic opportunities, principally for persons of low and moderate income"⁵ (emphasis added). To give meaning to this general objective, the committee set a 20-percent limit on program expenditures "which are not intended to be of direct and significant benefit to families of low or moderate income, or to areas which are blighted or deteriorating, unless the Secretary finds modification of this limitation necessary to meet urgent community needs."⁶ The bill passed the full Senate in May 1974 with the targeting language intact.

The House bill, reported out in June 1974, took a position between the administration and Senate versions. The House bill combined both decentralization and some broadly stated national housing and community development goals. Choosing to stress local control, the House version contained no language on social targeting, and no change on this point was made on the House floor. As a result, the two bills that went to conference contained divergent views on decentralization and program goals.

In conference, the House and Senate joined their statements on national goals, and the agreed-upon version contained both the broad House language and the more specific Senate national objectives. The final product went well beyond what the Nixon administration had proposed.

In the conference bill and the law signed by President Ford on August 24, 1974, the "principally benefits" language was included in three of the specific objectives of the act. The Senate did not succeed, however, in retaining the 20-percent spending limit for activities that did not directly or significantly benefit lower income persons or deal with blighted areas. Instead, the law includes the more general language that a local CDBG program must "give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight."

5. Housing Act of 1974, S. Rept. 93-693, p. 48.

6. Ibid.

Two general points can be stated about the legislative outcome in 1974: (1) The Senate succeeded in inserting into the law a social targeting objective that neither the Nixon administration nor the House had included, and (2) although social targeting became an important focal point for subsequent analysis and evaluation of the program, it was not the only nationally established policy objective--prevention of slums and blight remained legislatively a coequal objective, and a third coequal objective was that block grant funds could be used for certain urgent community needs.

Early Implementation of Social Targeting. In implementing the new law, the initial HUD regulations established the following definition of low and moderate income:

"Low and moderate income families" or "lower income families" means families whose incomes do not exceed 80 percent of the median family income of the area. . . .⁷

The regulations did not define "area," but HUD adopted the median family income in the metropolitan area as the benchmark for determining the low- and moderate-income level. Although not part of the definition of the regulations, for its own analysis HUD defined low income to mean less than 50 percent of the metropolitan median and moderate income to be between 51 percent and 80 percent.

HUD did not define quantitatively the meaning of the terms "maximum feasible priority" or "principally benefits." Consequently, there was no floor or ceiling to guide a community nor an objective measure against which to evaluate a community's social targeting results. Thus, at the Federal level, the amount of social targeting desired became a matter of the policy preference of those administering the program. In the beginning, HUD required only that local officials certify that their CDBG program gave maximum feasible priority to activities that benefited low- or moderate-income families or helped prevent or eliminate slums or blight.

In several cases, however, HUD area administrators felt a need to "look behind" the local certification. In its research, Brookings reported a number of cases in which HUD area offices challenged a community's allocation plans and required changes to achieve more low and moderate spending. For example, Greece, N.Y., allocated most of its CDBG grant

7. Federal Register, vol. 40, no. 11, pp. 24694-95, sec. 570.3(0).

in the first year for land acquisition for a drainage basin, an activity that benefited predominantly middle and upper income property owners. During the first year of performance monitoring, HUD area officials objected to this funding and urged town officials to give more attention to the community's lower income residents. HUD stressed that Greece should use CDBG funds for housing rehabilitation and that the funds should be spent in a concentrated target area. In the second year, the town included a housing rehabilitation program and began various improvements in older neighborhoods.

In short, early in the program some HUD area offices began to challenge communities on the social targeting of their programs. In other instances, HUD administrators paid little attention to social targeting when reviewing local program proposals.

The social targeting issue reached the legislative agenda during the first Senate oversight hearings on the CDBG program in August 1976, after two annual cycles of local CDBG planning and application. The National Association of Housing and Redevelopment Officials (NAHRO) reported that a substantial portion of the benefits had not gone to lower income groups in the first year, and that the share of block grant funds to these groups had dropped in the second year.⁸ In testimony before the committee, other organizations, such as the Southern Regional Council, criticized local uses of CDBG funds for tennis courts and other amenities in higher income residential areas.

New Administration and New Policy. Just 1 month after President Carter's inauguration, HUD Secretary Harris went before the House Subcommittee on Housing and Community Development and said that she intended to administer the law to give more emphasis to the social targeting provisions. In part, her position reflected concern about reports by both HUD and NAHRO of a downward trend in low- and moderate-income benefits. Secretary Harris told the subcommittee:

We will expect communities to direct development and housing programs toward low and moderate income citizens. I do not consider this to be just an objective of the block grant program--it is the highest priority of the program, and we in the federal government

8. Community Development Block Grant Program, Hearings Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 94th Cong., 2d sess., August 1976, pp. 200-237.

government must see to it that the thrust of the program serves that objective.⁹

This statement was followed in April by a directive from Assistant Secretary Embry to the CDBG field staff emphasizing HUD's intention to push hard on social targeting.

One of the major initiatives that the Secretary wants to begin immediately is the orientation of HUD's efforts toward the achievement of statutory objectives, particularly those objectives that speak to the interest of low- and moderate-income people.

The various program requirements should therefore be interpreted in light of the statutory objectives, particularly the objective of providing decent housing and a suitable living environment and increased opportunities principally for persons of low and moderate income.¹⁰

Thus, early in the new administration HUD officials made it clear they intended to emphasize social targeting; this attitude changed the administration-congressional alignment on the social targeting issue. The Nixon and Ford administrations had taken the House position; the Carter administration significantly altered this by adopting a policy that aligned it more closely with the Senate position calling for more direct social targeting. The dispute in Congress was reopened later in 1977 when it considered legislation to extend the program through fiscal year 1980.

Two days after the Embry directive was issued, Secretary Harris told the Senate committee that HUD was changing its focus from procedural review to substantive review of community applications. "The basic administrative machinery is now in place. It is time to determine if the funds are being spent to carry out a clear strategy: Are they being used

9. Housing and Community Development Act of 1977, Hearings Before the Subcommittee on Housing and Community Development, Committee on Banking, Finance, and Urban Affairs, House of Representatives, 95th Cong., 1st sess., part 1, February 1977, p. 9.

10. Memorandum, Robert C. Embry to HUD field staff involved in CDBG program, "Management of the Community Development Block Grant Program," Apr. 15, 1977.

primarily to benefit low- and moderate-income persons?"¹¹ She stated that HUD officials reviewing applications were being directed to seek more thorough, detailed verification before giving approval.

To give HUD's efforts increased leverage with local officials, the Senate committee approved a significant change that allowed the Secretary to reject a local application if it did not give "specific regard to the primary purpose of principally benefiting persons of low- and moderate-income."¹²

In the House-Senate conference, however, House conferees took issue with the new language because it made only the social targeting objective the basis for rejecting an application, leaving out the objectives concerning slums and blight and other urgent community needs. The result was a compromise that retained the Senate language defining the basis for rejecting an application but that expanded the definition to cover all three national objectives, thus giving no clear preference to the "low and moderate" language.

One change that the Senate obtained concerned the term "maximum feasible priority." In the 1974 law, maximum feasible priority was to go to activities benefiting "low- or moderate-income" families (emphasis added). There was concern that some communities were using the "or" to target on moderate-income groups while ignoring low-income groups. Consequently the Senate committee changed the sentence to read "low- and (emphasis added) moderate-income." The House accepted this change. The Senate also included, and the House accepted, a change in the housing assistance plan provisions. The new version stated that "in the case of subsidized rehabilitation, [there must be] adequate provisions to assure that a preponderance of persons assisted should be of low- and moderate income. . . ."

Overall, the Senate succeeded in getting language with a stronger social targeting thrust but failed to give social targeting priority over coequal objectives. With the approval of the new law on October 12, 1977, the focus turned to HUD's implementation of the revised law.

11. Housing and Community Development Legislation of 1977, Hearings Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, 95th Cong., 1st sess., Apr. 18, 1977, p. 114.

12. Housing and Community Development Act of 1977, S. Rept. 95-175, May 16, 1977, p. 12.

Two weeks after President Carter signed the law, HUD issued proposed new regulations, including its plans for social targeting. In its proposed regulations, HUD took the position that

All [emphasis added] community development funds are to be used for projects or activities which principally benefit low- and moderate-income persons. . . .¹³

However, HUD further proposed to allow exceptions for as much as 25 percent of a community's grant for certain programs to prevent slums and blight and for projects designed to meet needs having a particular urgency. The proposed regulation, subject to public comment and final adoption by HUD, became known as the 75-25 rule. Three points should be noted about the proposed regulations:

1. Social targeting was given a clear preference over the other objectives of the law.
2. The language of the proposed rule did not contemplate that 100 percent or even 75 percent of a community's CDBG grant would go for low- and moderate-income benefits. The word "principally" was important. For example, if a community planned a housing rehabilitation program in a moderate-income tract and the "major benefits" [sec. 510-302(b)(1)(ii)] of the project went to low- and moderate-income residents, the entire cost of that rehabilitation project in the tract could be credited toward meeting the 75-25 rule.
3. In computing low- and moderate-income benefits, a community could exclude administration and planning costs and grant funds going to repay an urban renewal temporary loan. These exclusions meant that the 75-25 rule would be applied to an amount that could be much smaller than a community's total grant. A community would also be allowed to credit toward the 75 percent in one program year its excess of 75 percent in a previous program year.

The proposed regulations were issued on October 25, 1977, and HUD accepted comments until November 25. The 75-25 rule was one of many proposed new rules for the program, but it drew the most attention. By the time the period for

13. Federal Register, vol. 42, no. 205, Oct. 25, 1977, p. 56466, sec. 570.302(a)(1).

comment expired, 1,327 letters of comment had been received, many of which included comments on the 75-25 rule. Generally, the proposed rule was supported by public interest groups, neighborhood organizations, and civil rights groups. The principal resistance came from the House of Representatives.

One important dissenter was Thomas Ashley (D-Ohio), chairman of the Community Development Subcommittee, who wrote two strong dissenting letters to Secretary Harris objecting to the 75-percent requirement, which he said ran counter to legislative intent. In the first letter, cosigned by Representative Garry Brown (R-Mich.), the ranking minority member of the subcommittee, Ashley stated that "we do not concur in the requirement for a set percentage of funds, at minimum, to be spent for the single purpose of benefiting low- and moderate-income persons. . . . The placement of one purpose as more primary than another is neither consistent with the language of the statute nor with the legislative history."¹⁴ In the second letter, signed only by Ashley, the language was stronger.

It appears to me that the 75/25 regulation violates the basic concept of the program. It would move us back to a categorical approach we all recognize is undesirable. . . .

. . . The conferees on at least three separate occasions reaffirmed the equality of the three purposes of the grants. With this overwhelming evidence I can only conclude from the Department's insistence on the 75/25 regulation that it believes it can legislate on its own. This is a very grave situation and one that I and many of my colleagues on the Subcommittee will feel forced to explore with you.¹⁵

On March 1, 1978, HUD issued its final regulations, stating:

Our intention is to carry out the statutory objective of benefiting low- and moderate-income persons in a strong and committed fashion. At the same time, we

14. Letter, Representatives Thomas L. Ashley and Garry Brown to HUD Secretary Patricia R. Harris, Nov. 4, 1977, p. 1.

15. Letter, Representative Thomas L. Ashley to HUD Secretary Patricia R. Harris, Dec. 16, 1977, p. 2.

intend to be practical and flexible regarding documentation.¹⁶

In general, the final regulations call for less rigorous social targeting requirements than did the proposed regulations. As noted earlier, it had been proposed that all activities principally benefit lower income persons, although exceptions were to be allowed up to 25 percent of the grant. In the final regulations, the 75-percent benefit figure was retained, but it was applied more generally to a community's 3-year development and housing plan rather than to the annual application. The final regulations also stated that

All projects and activities must either principally benefit low- and moderate-income persons, or aid in the prevention or elimination of slums and blight, or meet other community development needs having a particular urgency [emphasis added].¹⁷

The "either. . .or" language of the regulations thus came to reflect the legislative language that the House had insisted on--that social targeting was one of three coequal national objectives.

An important factor in analyzing the implications of the final regulations are the rules governing the computation of the low- and moderate-income group benefits. Both the proposed and final regulations permit the community to exclude (1) administration and planning costs and (2) CDBG funds used to repay urban renewal temporary loans; however, in one important item there was a significant change in the final rules. The proposed regulations required that the local option activities be allocated in accordance with the 75-25 rule, but the final regulations state that the local option money may also be excluded from social targeting calculation.¹⁸ For many communities, these exclusions mean that 20 percent to 25 percent (and in some cases more) of the grant does not have to meet the social targeting requirements.

16. Federal Register, vol. 43, no. 41, Mar. 1, 1978, p. 8451, sec. 570.304(c)(4).

17. Ibid., p. 8461, sec. 570.302(b)(1).

18. Section 570.600 of the regulations allow as much as 10 percent of the grant to be earmarked as unspecified contingency funds.

For activities that must meet the low- and moderate-income benefit requirements, the regulations state that the mere location of an activity within a low- or moderate-income area is not enough to meet the social targeting objective. The benefits from the activity must "principally benefit" lower income persons directly, not merely the area in which they reside. The tests of direct benefits are, generally, (1) setting an eligibility requirement so that only low- and moderate-income families or persons can qualify for the benefits or (2) assuring that a majority of the benefits go to low- and moderate-income persons. In communities where lower income groups are scattered, CDBG activities must be directed toward the areas in which these groups are located and also meet the needs of lower income persons in the areas served.

Although the final regulations were less rigorous, HUD, through directives to its field staff and through the process of developing the regulations, made communities aware of its intention to emphasize social targeting. But this attempt by HUD to sensitize communities to social targeting further strained the Department's relations with the House, and the issue reemerged in 1978 legislation amending several HUD programs.

One amendment restated the House committee's view on the coequality of the national objectives. The committee proposed and the House adopted a change in the act to state explicitly that "the three main objectives of the CDBG program are co-equal and that the Secretary may not disapprove an application because it addresses any one of the primary purposes to a greater or lesser degree than any other."¹⁹ Representative Brown proposed an amendment that would control HUD's implementation of the program through regulations. He proposed establishing a legislative veto over HUD regulations by giving either the House or Senate the power to veto Department rules or regulations. The amendment was adopted by a vote of 244 to 140.

The Senate version of the bill did not contain language on the coequality of the national objectives, and on a floor vote the Senate rejected by a vote of 65 to 29 a legislative veto amendment proposed by Senator Harrison H. Schmitt (R-N. Mex.).

In the final version approved by the conference committee, the coequality language was dropped and the legislative

19. Housing and Community Development Amendments of 1978, Public Law 95-557, Oct. 31, 1978, sec. 103(d).

veto provision was watered down to provide for a regulation deferral process. Under the procedure, either the House or Senate, through the authorizing committee, can study and delay regulations for a limited period. The committee can also start a procedure to reject the regulations, but final rejection requires the concurrence of both the House and Senate through a joint resolution or legislation and approval by the President.

The 1978 amendments constrained HUD's interpretation of priorities among the national objectives, but they did allow HUD to consider lower income benefit levels when deciding whether to approve an application. Although HUD did not get all that it wanted on the benefits issue, recipient communities could not ignore HUD's preferred policy on social targeting. The language of the legislation and the regulatory and application processes still made it possible for HUD to structure the program to give priority to low- and moderate-income benefits. At the same time, the interpretation of legislative intent will make it possible for future program administrators to alter policy preferences and give less emphasis to social targeting.

Geographic Targeting

The term "geographic targeting" refers to distributing CDBG program benefits by area, that is, the spatial distribution of funds within a given jurisdiction. Geographic targeting is intended to encourage the concentration of CDBG activities and benefits in particular areas or neighborhoods instead of dispersing them on a broad or jurisdiction-wide basis. Those who argue for geographic targeting usually cite the critical mass of investment required to produce a significant impact in an area.

Under the two major categorical programs that preceded CDBG--urban renewal and model cities--local authorities selected particular areas or neighborhoods during the early stages of formulating proposals for Federal aid. This was because these programs were designed to promote local development activities in certain target areas. Thus, downtown commercial districts and nearby residential areas were often the sites of redevelopment activities under urban renewal programs. Under the model cities program, local governments were required to designate poverty areas of limited size--perhaps one of several poverty areas in the jurisdiction--for a broad range of physical development and social service activities.

This emphasis on geographic targeting of funds shifted substantially with the inception of the community development block grant program, which through its decentralization goal encouraged local government officials to set funding priorities with a minimum of Federal intervention. As a result, block grants were not "tagged" by Federal legislation for particular areas of a recipient jurisdiction; the selection of target areas and activities, and the selection process itself were left primarily to local decisionmakers, whose community development concerns could be assumed to include a community-wide set of goals.

Although the CDBG legislation did not prescribe geographical targeting there were several provisions concerning activities eligible for assistance that anticipated that local decisionmakers would determine specific areas for concentrated development efforts.²⁰ The development of general public facilities--specifically mentioned were parking, solid waste disposal, and fire protection--was limited to facilities that were located in or that served "designated community development areas." Housing code enforcement activities were eligible for CDBG funding "in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided [emphasis added], may be expected to arrest the decline of the area." That is, funded code enforcement activities had to be linked with other CDBG activities in areas designated for revitalization or conservation.

Similarly, CDBG-funded public services were eligible only if they were part of a larger set of community development activities concentrated in particular areas. The legislation limited funding to services "not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner, if such services are determined to be necessary or appropriate to support such other activities. . . ." ²¹ With the exception of services transitionally continued under model cities funding, CDBG-funded service activities were intended to complement physical development activities and to serve residents of areas targeted for concentrated activity. These social services provisions could be viewed as attempts both to prevent the funding of local services on a jurisdictionwide basis and to assure that funded services were principally targeted to

20. Public Law 93-383, sec. 105(a).

21. Public Law 93-383, sec. 105(a)(8).

areas receiving high priority in local community development plans.

The overall effect of these provisions was to make program concentration an underlying, if not explicit, characteristic of the block grant.

These provisions did not receive further attention in the early HUD regulations that followed the CDBG legislation. As might be expected, determining the eligibility of public services was a principal area of uncertainty in the early administration of the block grant program. The Brookings monitoring report on the first program year observed that some HUD area offices rejected all social service spending, while other offices were more liberal in their interpretation of legislative intent. Soon after the first-year application cycles were completed in spring 1975, HUD tried to clarify its policies. In an October 1975 memo circulated to HUD regional administrators and area office directors, David O. Meeker, Jr., Assistant Secretary for Community Planning and Development, stated HUD's intention to issue regulations for the second-year program that would clarify eligibility issues on public services. The memo also directed that

. . . public service activities approved on the first-year applications should be revised only in cases where the public service activities are not located in areas, or principally serving residents of areas, in which the recipient is undertaking, or will undertake, other activities assisted with block grants. A public service activity which is city-wide . . . must be revised except where the recipient is undertaking or will undertake with block grants what is essentially a physical development program city-wide.²²

Although the memo reinforced the legislative intent that public services should be linked with physically oriented community development activities, it took a hands-off policy on geographic targeting generally. In keeping with the legislation's decentralization objectives, recipient jurisdictions might choose to undertake community development efforts, including related public services, on a citywide scale.

22. Memorandum, David O. Meeker, Jr., to all Regional Administrators, "Treatment of Approved Block Grant Activities With Questionable Eligibility," Oct. 20, 1975.

A hands-on policy on geographic targeting began to emerge in the regulations issued in January 1976; these specified that funded code enforcement activities must focus on "delineated areas" and could not be citywide in scope.²³ Similarly, the regulations prohibited public facilities that served communitywide functions unless they continued earlier categorical activities or were located in jurisdictions with populations of less than 10,000. HUD further described eligibility criteria for services in regulations issued September 1, 1976, that defined the phrase "concentrated manner." HUD assumed that physical development activities were carried out in a concentrated manner if they were coordinated toward a common objective in a "geographically delineated area." These regulations primarily established a vocabulary of objectives in relation to the geographic targeting of development activities in a "concentrated manner." Nevertheless, the regulations did not specifically require communities to target physical activities in delineated areas.

By late 1976, several monitoring and evaluation reports had noted a tendency by jurisdictions to scatter or spread program benefits geographically, resulting in little long-term impact in any particular area. A staff report of the House Committee on Banking, Finance, and Urban Affairs summarized these observations.²⁴ Although the report concluded that scattering benefits was not necessarily bad, it said that "the issue is whether or not areas targeted for treatment in order to renew, rehabilitate or conserve them are being programmed with a variety of activities at a sufficient level to reasonably insure that the proposed treatment will be successful."²⁵ At a broader level, the report expressed concern whether "CDBG funded community development programs are merely a variety of eligible activities scattered throughout the community without regard to sound planning and which could result in little or no long-term impact."²⁶

23. Federal Register, vol. 14, no. 12, Jan. 19, 1976, pp. 2766-68, sec. 570.201(a)(3).

24. Staff Report, Community Development Block Grant Program, Committee Print, Subcommittee on Housing and Community Development of the House Committee on Banking, Finance, and Urban Affairs, 95th Cong., 1st sess., (Washington, D.C.: Government Printing Office, February 1977), pp. 33-34.

25. Ibid., p. 34.

26. Ibid., p. 33.

In response to these concerns and to express its own policy preference, the new HUD administration proposed regulations in October 1977 that specified geographic targeting as a key principle of local planning and decisionmaking under CDBG.

It is HUD policy to encourage the use of block grant funds in a concentrated manner in order to produce substantial long-term improvements in the community. The applicant is specifically encouraged to carry out a strategy for comprehensive neighborhood revitalization which concentrates sufficient resources to stabilize and upgrade residential areas affected by blight and deterioration.²⁷

To end the uncertainty about what constituted areas of concentrated activity, the regulations called for the local delineation of "comprehensive neighborhood revitalization areas." Each area had to be predominantly residential and meet the following standard:

. . . a slum or blighted area which is designated by the applicant for concentrated treatment; such area shall be of manageable size and condition, physical and otherwise, so that block grant and other resources to be committed to the area can substantially meet the identified physical development and housing needs within a three- to five-year period.²⁸

The proposed regulations, in providing for the submission of a 3-year comprehensive strategy, made it clear that residential neighborhoods were a primary focus of CDBG plans and that local efforts were, in part, to be geared to long-term commitments and impacts in designated residential areas. Public services were again restricted to serve comprehensive neighborhood revitalization areas, as were neighborhood facilities developed with block grant funds.²⁹

27. Federal Register, vol. 42, no. 205, Oct. 25, 1977, p. 56465, sec. 570.301(a)(3).

28. Ibid., sec. 570.301(a)(1).

29. Waste disposal, fire protection, and parking facilities were restricted to designated target areas; park and recreation facilities, senior citizen centers, and centers for the handicapped were not restricted.

The final regulations issued in March 1978 softened somewhat the emphasis on geographic targeting by residential neighborhood. Along with the shift in terminology from "comprehensive neighborhood revitalization areas" to "neighborhood strategy areas" (NSA's), the local definition of the areas was no longer stringently tied to a 3- to 5-year deadline for meeting an area's outstanding housing and physical development needs.³⁰ Physical development activities still were to be concentrated in NSA's, but in a way that allowed them to be "carried out in a coordinated manner to serve a common objective or purpose pursuant to a locally developed plan or strategy." Public or social services and related facilities were assumed to serve an NSA if a majority of the people they served were residents of the designated area.

Taken as a whole, the policies of the new administration strongly favored heavier geographical targeting of CDBG activities. The new regulations affected the preparation and review of fourth-year applications.

Housing Assistance Plans

Another change in HUD's October 1977 proposed regulations was intended to correct inequities in the distribution of housing assistance benefits among various types of households. The 1974 legislation required that a community applying for block grant funds submit a housing assistance plan (HAP) defining its housing needs and stating how it intended to deal with these needs. The HAP forms that accompanied the CDBG application called for assessments of the housing needs for these subpopulations: elderly or handicapped, family and nonelderly individuals, and large families. The Department discovered that during the first 3 years of CDBG, localities were setting annual housing assistance goals that disproportionately represented one of the various groups. Most goals overrepresented elderly households and underrepresented families, particularly large families.

The proposed regulations called for "a balanced housing program" that addressed all identified needs and required recipient jurisdictions to use the principle of "proportionality" in formulating housing goals. Moreover, the proposed regulations required that the HAP goals submitted with the fourth-year CDBG applications correct imbalances in housing

30. Ibid., March 1, 1978, p. 8460, sec. 570.301(c).

assistance needs of the previous 3 years. In the final regulations of March 1978, the proportionality principle remained intact, with only minor exceptions for special circumstances.

Changes in Citizen Participation Requirements

Citizen participation also received attention in the proposed regulations. HUD sought to give more guidance to local authorities and to link its citizen participation and targeting policies.

The CDBG legislation of 1974 gave more latitude to local governments regarding citizen participation than had the earlier categorical programs. Urban renewal and model cities programs called for creation of resident committees in affected neighborhoods. In contrast, the block grant program did not specifically prescribe how local governments should meet citizen participation requirements, nor did it require that any structures be created for the purpose. The Nixon administration felt that citizens already participated through local governmental processes, such as elections, hearings, and the like. The administration sought only to insure that citizens were informed about local CDBG plans and that their views were considered in the preparation of the annual application. The 1974 act reflected this view and called for "adequate" citizen participation. The only guidelines in the legislation on what constituted adequacy were that (1) recipient governments disseminate information concerning the program and planned activities, (2) public hearings be held to obtain citizen views on local needs, and (3) citizens have a chance to participate in the development of the application. As long as local governments observed these broad process requirements, they were free to determine what constituted adequate participation.

Subsequent HUD regulations issued in November 1974 did not carry this mandate much further. However, they did specify that at least two hearings be held to determine citizen views on local needs, and they required citizen involvement in revisions or amendments to an application. Nevertheless, the regulations expressly stated that the act did not require citizen approval of the local CDBG application. Before issuing the regulations, HUD reported that it had received several suggestions that it "prescribe more fully the procedures, process, and local structure for citizen participation." But the Department rejected these suggestions on the

grounds that it was inappropriate to specify how local governments should relate to their citizens.³¹

The 1977 legislation renewing the CDBG program and HUD's revised regulations expanded the scope of citizen participation but continued to be neutral on its structure. The legislation required that recipient governments prepare a written plan for citizen participation, thereby increasing local accountability to HUD and to citizens. Moreover, the legislation specified that opportunities be provided to citizens to submit comments on local program performance; this requirement extended citizen participation into program implementation. In recognition of the growing concern about the targeting of CDBG program benefits, the legislation also encouraged participation "particularly by residents of blighted neighborhoods and citizens of low and moderate income. . . ." ³²

The HUD regulations proposed in October 1977 further defined the scope and form of citizen involvement. They called for "continuity of participation" in all phases of the CDBG process--in the development of the application, in program implementation, and in program monitoring and evaluation. The proposed regulations called for both a communitywide participation process and for a neighborhood-level process in neighborhoods designated as comprehensive revitalization areas or where "multicomponent projects" were planned. Without prescribing a particular structure for citizen involvement, the regulations proposed that any locally established advisory body contain "adequate representation of low and moderate income persons, members of minority groups, and other persons directly affected by the program."³³ The regulations also went beyond the earlier regulations in detailing the process requirements for information dissemination, public notices, and the conduct of hearings. In a major departmental initiative, the regulations also allowed outside sources and local government staff to provide technical assistance to citizen participants.

Overall, the proposed regulations emphasized greater social and geographical targeting of citizen participation. However, despite the more detailed process requirements and

31. Federal Register, vol. 39, no. 220, Nov. 13, 1974, p. 40136.

32. Public Law 95-128, sec. 104(a)(6).

33. Federal Register, vol. 42, no. 205, Oct. 25, 1977, p. 56467, sec. 570.303(c)(vi).

the introduction of a two-tier (communitywide and neighborhood) process, HUD did not specify a local citizen advisory structure.

In issuing the final regulations on March 1, 1978, HUD reported that many public interest groups had recommended that citizen participation structures be required both at the neighborhood and community levels. HUD responded, "We believe the exact form of the citizen participation process is not critical; what is important is that the process meet prescribed standards."³⁴ Other than specifying an August 1, 1978, deadline for the local submission of written citizen participation plans to HUD, the final regulations generally reflected the original proposals.

Economic Development

In the area of program activities, Congress and HUD expanded the CDBG program to give more attention to the economic development needs of many cities.

The 1974 legislation cited the need for communities to expand economic opportunities but did not specifically include economic development as one of the seven national objectives of the block grant program.³⁵ The 1977 amendments, however, added economic development as the eighth national objective, and the section on eligible activities was expanded to cover such projects.

To implement the new provisions, HUD issued regulations permitting communities to undertake direct economic development activities, including (1) the purchase of real property; (2) the purchase, construction, rehabilitation, or improvement of public facilities; and (3) the purchase, construction, rehabilitation, and improvement of commercial or industrial facilities.³⁶

In addition, the regulations also permitted providing grants to private or community-based groups involved in

34. Federal Register, vol. 43, no. 41, Mar. 1, 1978, p. 8454.

35. Public Law 93-383, sec. 101(c).

36. Federal Register, Mar. 1, 1978, p. 8444, sec. 570.203.

economic development, including local development corporations and small business investment corporations. Grants to such groups could include (1) technical assistance; (2) financial assistance, including working capital and funds for property acquisition; (3) assistance to minority contractors; and (4) the funding of economic development or neighborhood revitalization efforts not otherwise eligible for CDBG funding.³⁷ These new legislative provisions and regulations reflected what had been occurring already in some communities.

Conclusion

The changes made in the third and fourth program years generally meant increased local accountability to HUD for meeting the program's national objectives. In part, these changes were the result of a new and active HUD emphasis on targeting policies, which were not stressed in the first 2 years. They were also partly a result of the aging of the program--in the third and fourth years, more attention focused on what the program was accomplishing than in the first two years, when the primary emphasis had been getting the program started.

37. Ibid., sec. 570.204.

CHAPTER 3

CDBG DECISIONMAKING: INFLUENCE AND INTERGOVERNMENTAL RELATIONS

This chapter examines CDBG decisionmaking and intergovernmental issues during the third and fourth program years to determine whether trends observed in earlier years have continued, and to characterize the evolving structure and dynamics of CDBG decision processes as the program has aged.

A major goal of the CDBG program was to put local officials at the center of the decisionmaking process and reduce the discretionary power that HUD held over program decisions under the categorical grant programs. It was assumed that less Federal regulation and intervention would permit local officials to design and implement programs more suitable to diverse local needs and objectives. It was also hoped that centering program initiative under a local chief executive would reduce the fragmentation of local decisionmaking that had existed among the many special-purpose agencies responsible for the categorical programs.

The Brookings monitoring reports on the first 2 years of the program found that the intended decentralization had substantially taken place, as observed in the interactions between HUD and local key actors and in the relative influence of Federal and local decisionmakers. To summarize, local actors, particularly executive actors, were the dominant influences in determining CDBG priorities and programs as special agencies declined in influence and frequently disappeared; and HUD's role was peripheral during the first 2 years of the program--its impact was more procedural than substantive.

However, several major legislative and administrative changes occurred after the second year that changed both the substance and process of the program. The 1977 CDBG legislation expanded the life of the program and increased the formula allocation to older, declining jurisdictions, thereby raising the stakes for some local decisionmakers. In addition, the legislation gave more emphasis to citizen participation, which in turn led to major regulatory changes. Most prominently, the new HUD administration under Secretary Harris adopted a more aggressive policy in overseeing program substance to make sure that local CDBG efforts met the national

objectives of the legislation, particularly in targeting program benefits to lower income groups. These changing policy objectives resulted in new HUD operating procedures and regulations, which in turn increased HUD's role in local decision-making.

These legislative and HUD policy changes alone could be expected to have important program consequences. An additional factor, however, also may have affected local decision processes in the third and fourth program years--the influence of time itself. The preparation of the annual CDBG application has tended to be the focus of local and Federal deliberations concerning policy priorities and program allocations, and there are some significant changes that might be expected to occur through the application process as the program progresses, even in the absence of shifts in the Federal administration of the program. For example, local decisions are not necessarily made over again each year, but generally reflect continuing commitments. This continuity implies that the prospects for new approaches and proposals diminish after early program choices are made. Programmatic continuities raise important process questions. For instance, do such continuities mean that decisions tend to become more "bureaucratized" and less closely managed by elected officials? If so, does this affect the responsiveness of elected officials to community and citizen interests? Have neighborhood-based organizations or other third parties become more sophisticated and more effective in making demands on the program? Do the structure and functioning of local citizen participation in the CDBG program change as the program ages? This chapter and the next discuss these questions.

This chapter is divided into two sections. The first analyzes the relative influence of the major decisionmaking participants--local executive, local legislative, citizens, HUD, and other key actors--on the content of local CDBG plans and programs. This analysis describes the general interplay of participant influences and provides a framework for the more detailed analyses of intergovernmental and local decision processes that follow. The second part analyzes intergovernmental processes, with particular emphasis on HUD-local relations and the issues that emerged.

Major Influences on CDBG Program Decisions

To assess the relative distribution of influence among key actors in the CDBG decision process and changes in this distribution over time, field associates assigned "influence

points" to the various actors in the 61 sample jurisdictions. They did this by estimating the relative influence of each type of actor over the "program content" of CDBG and dividing 10 points among the five types of actors each year. The participants were grouped as local executive, local legislative, citizen, HUD, and other. The local bureaucracy was included in the executive category. The resulting scores are ordinal measures that permit comparison of relative influence by type of actor within a community; however, the scores cannot be used to compare the degree of influence between actors in different communities.

Our findings for the third and fourth years of CDBG showed that influence patterns were similar to those reported for the first 2 years. Despite major legislative and administrative changes in the CDBG program, the distribution of relative influence among major local actors has remained fairly stable. Local officials, primarily executive actors, maintained their dominant position. However, local executive influence declined somewhat as the relative influence of citizens and HUD increased. These marginal shifts of influence suggest a small but significant trend toward a gradual deconcentration of influence as more diverse types of local actors play increasingly important roles in CDBG decisionmaking.

Leading Actors

One way to distinguish the roles of various actors in local CDBG decision processes is to identify the leading actors in each jurisdiction. Leading actors are those having the most influence points in a particular year. In some cases a jurisdiction may have two or more leading actors. Table 3-1 shows the number of sample jurisdictions in which field associates ranked each type of actor as having the most (or sharing the most) influence on local CDBG decisions.

The findings show that lead actors tend to maintain their influence from year to year. Local executive actors continue to be the dominant influence in most of the jurisdictions, although executive influence appeared to drop during the third and fourth program years as citizen and HUD influence grew. The number of jurisdictions in which local executive actors were a leading influence declined from 51 jurisdictions in the first 2 years to 46 jurisdictions in the fourth year. HUD made corresponding gains after the second year and was the leading actor in nine jurisdictions in the fourth program year. HUD influence started to grow in the third year, after Secretary Harris took office.

Nevertheless, the recent shifts in HUD policy and administration have not significantly changed the overall balance of influence between local actors and HUD or altered the dominance of local executives. There was a small increase in the number of jurisdictions in which citizen participants were a leading influence, indicating that some of the decline in executive influence was associated with an increase in citizen influence.

Table 3-1. Leading Actors in Defining Program Content
(number of jurisdictions)

Participant	Year 1	Year 2	Year 3	Year 4
Executive	51	51	46	46
Legislative	6	11	11	9
Citizen	8	7	9	11
HUD	4	4	7	9
Other	2	1	1	1
Total jurisdictions ^a	61	61	61	60

Source: Field research data.

^aA jurisdiction may have more than one leading actor because of tied rankings; thus, columns do not add up to number of jurisdictions.

The trend toward increased HUD and citizen influence is clearer if we extend the definition of leading actors to include both the first- and the second-ranked actor (but not actors who are tied for second); this definition permits a more inclusive analysis of actors who influenced local decision processes but played less important roles. This expanded definition of leading actors will be used in the rest of this report. Not surprisingly, executive actors were clearly dominant in all 4 years, although with declining frequency (see table 3-2). The number of jurisdictions in which citizens and HUD are important participants increased gradually, with the largest increases occurring in the fourth year. The data also indicate a slight trend toward declining legislative influence.

Table 3-2. Expanded Definition of Leading Actors in Defining Program Content
(number of jurisdictions)

Participant	Year 1	Year 2	Year 3	Year 4
Executive	55	57	52	53
Legislative	16	19	17	16
Citizen	18	21	23	27
HUD	9	10	11	15
Other	3	2	2	1
Total jurisdictions ^a	61	61	61	60

Source: Field research data.

^aJurisdictions may have more than one leading actor; thus, columns do not add up to total jurisdictions.

Analysis of leading actors by type of jurisdiction (central cities, satellite cities, urban counties, and nonmetropolitan jurisdictions) yields substantially the same pattern as the overall sample. Minor differences occurred, however, in the suburban jurisdictions (satellite cities and urban counties), where HUD's influence increased steadily during the third and fourth program years. During the first year, HUD was a leading actor in only 1 of the 22 suburban jurisdictions; by the fourth year, the agency was a leading influence in nearly one-third of the jurisdictions (four satellite cities and three urban counties). Similarly, HUD's presence as a leading actor has steadily increased in relatively affluent jurisdictions, as measured by the Brookings urban conditions index.¹ In the 30 jurisdictions below the

1. The index is derived by combining the factors of age of housing, poverty, and population change. For a more complete discussion, see Dommel et al., Decentralizing Community Development, chapter 2. The index is computed as follows:

(Continued)

standardized index mean (the affluent jurisdictions), HUD was a leading influence in 3 jurisdictions during the first year but in 10 jurisdictions by the fourth year. In the 31 distressed jurisdictions (those above the standardized index mean), the increase in HUD influence was less, from 3 jurisdictions in the first year to 6 in the fourth year. These initial data suggest that HUD's expanded influence in local CDBG processes was more evident in suburban and better-off jurisdictions. This overall finding is further supported in the following analyses of HUD's expanding relationships with recipient communities and its influence in specific issue areas, particularly targeting.

Intergovernmental Dynamics: HUD Role and Influence

The shifts in HUD policy that occurred in the third and fourth program years can best be described as a modified form of decentralization to achieve greater balance between local initiative and the Federal monitoring role in CDBG decision-making. Before the shift, decisions about CDBG spending were made in two stages: Local governments formulated their plans, and HUD reviewed those plans on technical and legal criteria. After the shift, decisions were made in three stages: First HUD defines program objectives; then local decisionmakers establish priorities and formulate programs within the HUD guidelines; and finally, HUD reviews the local application to see if it appropriately interprets the national program goals. This process means that HUD field offices take a more active role in dealing with local officials on both strategy and program issues, a topic discussed later in this chapter, but it also retains the advantages of decentralization and local program flexibility. This change is not a step back to categorical grants because local jurisdictions still have

(Continued)

<u>Percentage poverty</u>	<u>Percentage pre-1940 housing</u>
<u>Mean percentage poverty</u>	<u>Mean percentage pre-1940 housing</u>
<u>100 + percentage of population change</u>	
<u>100 + median percentage of population change</u>	

This version of the index is used to show interrelationships between an individual city and all entitlement cities. For algebraic simplicity the denominators for all factors can be dropped (because they are constants) without changing the ranking of cities.

This section will focus on the type and direction of interactions between HUD field officials and local recipients.

Definitions

We use two terms in our analysis of HUD's involvement in the CDBG decision process: role and influence.

Role means the sum of HUD's involvement in the formulation, processing, and approval of local CDBG plans. The HUD role can include such activities as informal interaction with localities on either substantive or procedural issues; formal interactions of application submission, processing, and "red tape"; site visits and performance monitoring to assess local activities and performance; and HUD actions to promote specific decisions or actions on the part of local actors.

Influence is a participant's ability to alter or maintain policy direction according to his or her preferences. Influence may be exerted both directly and indirectly. For example, HUD exercises direct influence by resolving issues raised with localities in its favor. Jurisdictions exercise indirect influence when they design programs in accordance with HUD objectives to avoid raising issues. The influence point data measure both direct and indirect influence. The outcome of issue confrontations between HUD and local governments is a measure of direct HUD influence.

Using these two terms in the context of the HUD policy changes, we expected HUD both to have played an expanding role in the local CDBG process and to have exercised greater program influence during this period.

HUD's Expanding Role

We asked our field associates in the 61 sample jurisdictions to assess whether HUD's role had increased or decreased in the third and fourth program years. Their responses indicated that HUD's role expanded in almost half of the jurisdictions in the third year (table 3-3) and in half the fourth year (table 3-4). This increase occurred in all types of jurisdictions, with a somewhat greater expansion of HUD's role in suburban jurisdictions in the third year. The associates' comments indicate that the expansion of HUD's role in the suburbs was often related to the issue of program benefits to low- and moderate-income groups. In the fourth year, HUD's role grew somewhat more in central cities.

Table 3-3. HUD's Role in the CDBG Process in Year 3, by Type of Jurisdiction
(number of jurisdictions)

Characteristic	Total juris- dictions	Jurisdictions in which HUD played a--		
		Expanding role	Stable role	Decreasing role
<u>All jurisdictions</u>	61	27	28	6
<u>Type of juris- diction</u>				
Central cities	30	14	13	3
Suburban juris- dictions	<u>22</u>	<u>12</u>	<u>8</u>	<u>2</u>
Satellite cities	12	6	4	2
Urban counties	10	6	4	0
Nonmetropolitan	9	1	7	1
<u>Categorical program experience</u>				
Urban renewal and model cities	24	11	12	1
Urban renewal or model cities	18	9	7	2
Neither	19	7	9	3
<u>Urban conditions index</u>				
Below 100 (rela- tively affluent)	30	14	12	4
Above 100 (rela- tively distressed)	31	13	16	2

Source: Field research data.

Table 3-4. HUD's Role in the CDBG Process in Year 4, by Type of Jurisdiction (number of jurisdictions)

Characteristic	Total jurisdictions	Jurisdictions in which HUD played a--		
		Expanding role	Stable role	Decreasing role
<u>All jurisdictions</u>	59 ^a	31	18	10
<u>Type of jurisdiction</u>				
Central cities	29	16	9	4
Suburban jurisdictions	22	12	6	4
Satellite cities	12	6	3	3
Urban counties	10	6	3	1
Nonmetropolitan	8	3	3	2
<u>Categorical program experience</u>				
Urban renewal and model cities	23	15	5	3
Urban renewal or model cities	18	8	7	3
Neither	18	8	6	4
<u>Urban conditions index</u>				
Below 100 (relatively affluent)	30	12	14	4
Above 100 (relatively distressed)	29	19	4	6

Source: Field research data.

a. Pulaski County, Ill., did not receive CDBG money in the fourth year. Chicago's application had not been approved at the time the data were collected, so it was not possible to assess HUD's role in the fourth year in that city.

Until the fourth year, HUD's role was roughly the same in jurisdictions that had experience with categorical programs and in those that did not. Then HUD's role began to expand in jurisdictions that had experience in both urban renewal and model cities programs. This suggests that as many categorical programs continued to phase down (see chapter 5), HUD was in a better position to play a more important role in the activities that replaced them.

Analysis by degree of urban distress showed a different result. In the fourth year, HUD's role grew rapidly in the more distressed jurisdictions. This may have been the result of the relatively limited HUD role in more distressed jurisdictions up to that time. Also, there is considerable overlap between categorical grant experience and community distress, and the two partly reflect each other. This overlap also probably accounted for HUD's expanded role in central cities in the fourth year because the central cities in the sample are disproportionately more distressed and have the most experience with categorical grants.

HUD's expanded role took many forms and varied considerably from jurisdiction to jurisdiction. Dade County, Fla., is an example.

Capsule 3-1. Dade County, Fla.

Although the relationship between Dade County and the HUD area office is somewhat formal, it can be characterized as one of peaceful coexistence in which there is an absence of controversy or bad feelings and in which major policy issues tend to be avoided by both parties. Several issues have emerged during the third and fourth years, particularly the effect of geographical targeting on the county's social services strategy (which covers a large target area) and the eligibility of the Higher Horizons educational scholarships begun under model cities. Except on rare occasions, the county does not accept the area office position as the last word and goes directly to the regional office for a reading. The county's expertise, its familiarity with Federal programs, and its ease in "taking on HUD" has tended to make the HUD area office more comfortable with a supportive role, one in which it does not impose further interpretations or restrictions on top of Federal regulations. Although county officials understand the reasoning behind linking social services with physical development activities, thus far the restrictions have affected only a few target areas. But there are indications that the area office is beginning to take a more active role in interpreting and enforcing the

regulations. If so, HUD-county relations and the county's CDBG efforts may change in the years ahead.

As might be expected, in several jurisdictions HUD's expanding role in the local CDBG process meant an increase in the stringency of the agency's monitoring and review processes and therefore an increase in the "red tape" and application requirements. In a substantial majority of the jurisdictions (47 of 61), local officials saw notable increases in red tape since the second year. For example, the new application forms called for a 3-year planning horizon; localities needed to supply supplemental documentation to meet more frequent HUD challenges to local decisions (such as documenting the targeting of particular activities to lower income groups); and, in some cases, HUD requested more detailed progress reporting so that it could monitor progress where expenditure rates were lagging behind. Many local officials viewed the increased paperwork as productive, however, because it aided local agencies in planning and monitoring their own CDBG efforts more effectively.

In many instances, HUD's expanding role meant an increase in the agency's activities in matters that were primarily procedural or informational. In those cases, increased HUD efforts did not necessarily affect local strategies or programs, and HUD's expanded role was not seen as a major influence on program content. Illustrative cases are Sioux City, Iowa, and San Jose, Calif.

Capsule 3-2. Sioux City, Iowa

Signs of discontent among local community development officials indicated some deterioration of the city's relationship with the Omaha area office, largely stemming from a step-up in HUD's involvement in procedural and compliance matters. Before March 1978, HUD field representatives monitored performance on a quarterly basis; since then, they visit the city an average of twice monthly. Local officials complain that the field representatives are interested in going over "everything" and contend that HUD is misinterpreting its technical assistance role. Although local officials are worried that HUD's increased activity in procedural matters may lead to some recentralization of authority, there seems to be no real fear that local control is being seriously threatened with regard to substantive issues of policy and program content.

Capsule 3-3. San Jose, Calif.

Relations between HUD and San Jose have been generally supportive over the 4 years of the block grant program. San Jose's management capacity and extensive experience in dealing with Federal grants are known to HUD. Nevertheless, there is inevitable tension between HUD and the city. Although past disagreements over the funding of certain service programs have been resolved, there continue to be local complaints about the ever-increasing red tape and nebulous, shifting guidelines as HUD seeks to assert its monitoring role in the block grant programs.

Another factor that accounts for an expanding HUD role in some jurisdictions is the part played by third parties in appealing local program decisions to HUD. In several cases, third parties--neighborhood groups, public interest organizations, and organizations representing minority interests--registered formal complaints with HUD, which then intervened on some issues it had previously left to local governments. Although the initiative was not HUD's so much as the third party's, it resulted in the expansion of HUD's role as a mediator between local officials and community organizations. The following capsules are examples of this role.

Capsule 3-4. New York City

One of the major intergovernmental issues to emerge in New York during the third program year was the city's attempt to allocate \$50 million of block grant funds to pay for operating budget items. The fiscal crisis had forced the city to reduce police, fire, and sanitation forces and to propose the use of CDBG funds to pay the salaries of laid-off workers and help balance the city's budget. Citizens' groups vehemently opposed the proposal because it would divert funds from other CDBG activities--particularly capital projects. They based their case on the fact that the allocation constituted a clear violation of the "maintenance of effort" clause in the CDBG legislation. The city's proposal was rejected by the HUD area office; Mayor Beame subsequently went to Washington to seek a waiver of the maintenance-of-effort clause but was turned down. However, the area office did ultimately agree to permit the city to allocate \$15 million for health and safety programs.

Capsule 3-5. Chicago

In the third year, the HUD area office began to review Chicago's application and performance more stringently than in the first 2 years. In part, it was prodded into doing so by a series of complaints filed by neighborhood organizations and public interest groups, which had criticized the city for failing to implement its HAP's and for inadequate performance on its housing rehabilitation programs. Other complaints involved the city's intention to carry out housing demolition in two neighborhoods scheduled for urban renewal activities. A HUD review was initiated, and the area office placed conditions on the third-year grant, which required the city to improve performance on housing programs and submit progress reports on a quarterly basis. HUD also required the city to provide further justification for carrying out one of its renewal projects; the city later dropped the project from its third-year program. As the city prepared its fourth-year application, citizens' groups renewed their challenges to the city's performance, and HUD considered placing additional conditions on the fourth-year grant.

In summary, HUD's role increased substantially in many ways in both the third and fourth program years, particularly in the fourth year. The greatest expansion in the fourth year took place in the more distressed central cities that had considerable experience in urban renewal and model cities. The expanded HUD role in these jurisdictions was probably a result of the relatively limited HUD role in the early years of the program. In the third and fourth years, HUD's role also expanded considerably in suburban jurisdictions; in part, this was linked to HUD's policy emphasis on targeting.

HUD's Overall Influence

The next question in our discussion is: To what extent did HUD's expanded role mean more influence? We discussed overall HUD influence on program content in terms of HUD as a leading actor (table 3-2). We noted that HUD's influence relative to other actors had increased most noticeably in the fourth year, although HUD was still secondary to local participants. Houston is an example of an area in which an increased HUD role also meant increased HUD influence.

Capsule 3-6. Houston

A major shift in HUD-local relations took place during the third and fourth years, with HUD playing a significantly stronger role in the planning and implementation of local CDBG activities. HUD site visits became more frequent and thorough in accordance with the "substantive monitoring" mandate, and the agency succeeded in vetoing a third-year project that served an upper income area and in chipping away a few upper income areas at the fringes of the city's map of CDBG target areas. As a result of the new HUD regulations, Houston's fourth-year application shifted toward more concentrated neighborhood improvement efforts, unlike the earlier pattern of small-scale, dispersed development activities spread across the massive target areas defined by the city in the first year. The growth of HUD's influence over the CDBG program seems to be a result of two factors. First, the agency's new "hands-on" policy, particularly with regard to targeting, has led the city to more coherent, longer range planning at the neighborhood level. Second, the city's poor implementation record and low expenditure rates resulted in HUD warnings about possible cuts in future block grants and made the city more compliant in responding to HUD directives and suggestions.

Another way to view overall HUD influence is to determine its impact on local programs. For this analysis, field associates were asked to characterize HUD's influence on program content as absolute, major, minor, or no influence. This measure is different from the leading actor dimension; instead of ranking an actor's relative influence, it assesses the importance of the actor's impact. For example, although an actor may be ranked second in influence, he or she may be far behind the leading actor in influence points and thus may have only a minor impact on program content.

A third dimension of HUD influence is the Department's impact on specific issue areas. This issue analysis is the subject of the next section.

Tables 3-5 and 3-6 are based on field associates' judgments on the degree of HUD influence on program content and show a pattern of relative stability of HUD influence in the third and fourth years. The data show less HUD influence over program content in central cities, in jurisdictions with categorical experience, and in more distressed jurisdictions. In the fourth year, however, there were slight movements toward more HUD influence in all of these categories of communities.

Table 3-5. HUD Influence Over Program Content in Year 3,
by Type of Jurisdiction
(number of jurisdictions)

	Total juris- dictions	Jurisdictions in which HUD influence was--			
		Absolute	Major	Minor	None
<u>All jurisdictions</u>	61	1	16	37	7
<u>Type of juris- diction</u>					
Central cities	30	0	3	22	5
Suburban juris- dictions	22	0	10	11	1
Satellite cities	12	0	5	6	1
Urban counties	10	0	5	5	0
Nonmetropolitan	9	1	3	4	1
<u>Categorical program experience</u>					
Urban renewal and model cities	24	0	2	18	4
Urban renewal or model cities	18	0	6	10	2
Neither	19	1	8	9	1
<u>Urban conditions index</u>					
Below 100 (rela- tively affluent)	30	1	12	16	1
Above 100 (relatively distressed)	31	0	4	21	6

Source: Field research data.

Table 3-6. HUD Influence Over Program Content in Year 4,
by Type of Jurisdiction
(number of jurisdictions)

	Total juris- dictions	Jurisdictions in which HUD influence was--			
		Absolute	Major	Minor	None
<u>All jurisdictions</u>	58 ^a	1	16	36	5
<u>Type of juris- diction</u>					
Central cities	29	1	4	20	4
Suburban juris- dictions	21	0	8	12	1
Satellite cities	12	0	4	7	1
Urban counties	9	0	4	5	0
Nonmetropolitan	8	0	4	4	0
<u>Categorical program experience</u>					
Urban renewal and model cities	23	0	4	16	3
Urban renewal or model cities	18	1	4	12	1
Neither	17	0	8	8	1
<u>Urban conditions index</u>					
Below 100 (rela- tively affluent)	29	0	10	18	1
Above 100 (relatively distressed)	29	1	6	18	4

Source: Field research data.

a. Pulaski County, Ill., did not receive CDBG funds in the fourth year. Cook County and Chicago were not included because HUD processing of the fourth-year application was not complete at the time of the field research.

In both the third and fourth years, major agency influence was particularly striking in suburban jurisdictions--satellite cities and urban counties. In the third year, associates reported that almost half of the suburban jurisdictions manifested major HUD influence, compared with only about 10 percent of the central cities in the sample. In the fourth year, a slight shift occurred; the number of suburban jurisdictions showing major HUD influence declined from 10 to 8, and the number of central cities where HUD had major influence increased from 3 to 4. Despite this small shift, the pattern of greater HUD influence in suburban jurisdictions continued. The pattern of a stronger HUD role in suburban jurisdictions is reinforced in the analysis of issues in the next section of this chapter.

In the previous section, the data showed a substantial expansion in HUD's role in the third and fourth years. The data in this section indicate that the expanded HUD role was not always accompanied by an increase in overall HUD influence. In both the third and fourth years, HUD was an absolute or major influence on program content in 17 jurisdictions, primarily suburban communities. This compares with 16 jurisdictions in the first 2 program years. In the remaining jurisdictions, although HUD had only minor or no influence over program content, its role nevertheless expanded in 18 communities in the third year and 19 in the fourth year.

Taking the factors of role and influence together, HUD was a major influence or increased its role in the formulation of programs in about 60 percent of the jurisdictions each year.

Analysis of HUD-Local Issues

We have just seen that the decentralization goal of the CDBG program was maintained in the third and fourth years, even though HUD increased its interaction with local governments. Nevertheless, there have been some important changes in HUD involvement in local programs. These changes are reflected by the impact of HUD influence in particular policy areas, primarily in its targeting policies, discussed in chapter 2. In this section we will analyze these changes in HUD-local relations by examining how HUD and local governments resolved specific issues.

Issue in this analysis means an item of disagreement between HUD and the locality that either party is trying to resolve. Issues may be resolved either by one party agreeing

to the other's view (willingly or unwillingly) or through a compromise. A HUD request for information concerning the income groups that will benefit from a given program activity is not an issue; however, HUD's objection, on whatever grounds, to an activity proposed by local officials would be an issue because it represents a disagreement that HUD wants to resolve in its favor.

Our report on the program's second year classified the issues that emerged between HUD and recipient localities during CDBG decisionmaking and implementation.² We have kept the basic framework used in that report, but because of some changes in issue coding for this report we could not develop completely comparable data. Nevertheless, we can compare the general trends of the major issue categories.

HUD-local issues are divided into two major classifications: substantive issues and procedural issues.

Substantive issues include the following categories:

- Strategy issues deal with a mix of program activities and the ways in which benefits are distributed as a result of the overall allocation of CDBG funds to program activities.
- Program issues concern the definition and eligibility of specific activities of a jurisdiction's CDBG plan without reference to broader strategies or the targeting of benefits.

For example, whether to allocate 20 percent of a community's block grant to social services is a strategy issue; whether housing counseling is an eligible social service is a programmatic issue. Both, however, are substantive issues.

Procedural issues include the following categories:

- Compliance issues involve local conformity with federally prescribed procedures and mandates, such as equal opportunity, environmental protection, Davis-Bacon wage provisions, and citizen participation.
- Administrative/technical issues involve a variety of issues related to local management of CDBG program efforts, such as record-keeping, contractual procedures, staff capabilities, accuracy and salience of

2. See Dommel et al., Decentralizing Community Development, chapter 3.

data and information used at the local level, the quality and content of submissions to HUD, and reports on program performance.

- Rate of expenditure/execution issues were included as administrative issues in previous Brookings reports but are now separated because of the apparent importance of this issue as the CDBG program continues. This issue relates to HUD-local differences concerning the speed with which planned CDBG activities are carried out by local government. Chapter 8 analyzes this aspect of current CDBG execution efforts.

Strategy Issues

Table 3-7 shows the types of HUD-local issues that became apparent during the third and fourth years, the number of jurisdictions in which each issue emerged, and the program stage (application or implementation) at which the issues tended to occur.

Overall, we found that, in the third and fourth years, strategy issues were the principal focus of HUD-local involvements. In the second program year, by contrast, compliance issues had dominated the intergovernmental scene. Strategy issues received HUD and local attention in nearly all of the sample localities--53 of 61 jurisdictions--during the third and fourth years. Program issues, compliance issues, and administrative or implementation issues emerged in fewer jurisdictions.

Capsule 3-7. Cook County, Ill.

Pursuant to the Embry memo of April 1977, the area office played a more active role in examining the content of the county's third-year program. During the

Table 3-7. Number of Jurisdictions in Which HUD-Local Issues Occurred, by Type of Issue and the Program Stage at Which the Issues Emerged

Type of Issue	Total	Year 3		Year 4	
		Appli- cation	Implemen- tation	Appli- cation	Implemen- tation
<u>Strategy issues</u>	<u>53</u>	<u>45</u>	<u>22</u>	<u>44</u>	<u>11</u>
Social targeting	44	31	12	33	7
Housing related	28	13	6	20	4
Development activities	33	26	9	17	4
Geographic targeting	33	18	10	24	5
Housing related	11	6	2	4	1
Development activities	30	13	8	23	4
Other strategy	30	17	13	18	7
Housing related	22	16	9	11	6
Development activities	14	5	4	11	2
<u>Program issues</u>	<u>34</u>	<u>22</u>	<u>11</u>	<u>15</u>	<u>3</u>
Housing related	12	6	4	4	0
Physical development	15	8	5	7	2
Public social services	10	5	3	3	1
Other	10	5	3	3	1

Table 3-7. Number of Jurisdictions in Which HUD-Local Issues Occurred, by Type of Issue and the Program Stage at Which the Issues Emerged (continued)

Type of Issue	Total	Year 3		Year 4	
		Appli- cation	Implemen- tation	Appli- cation	Implemen- tation
<u>Compliance issues</u>	<u>38</u>	<u>12</u>	<u>27</u>	<u>17</u>	<u>6</u>
Equal opportunity	28	6	18	8	4
Environmental	13	3	10	4	1
Citizen parti- cipation	11	3	4	4	0
Davis-Bacon	8	1	7	0	0
Other	8	3	5	2	2
<u>Administrative issues</u>	<u>39</u>	<u>11</u>	<u>25</u>	<u>15</u>	<u>4</u>
Rate of expenditure	<u>17</u>	<u>9</u>	<u>10</u>	<u>5</u>	<u>5</u>
Total jurisdic- tions	61	61	61	60	60

Source: Field research data.

Note: Each figure represents the number of jurisdictions in which a particular type of issue occurred at a particular stage of the program. Numbers in columns do not total because of overlap among categories.

preparation phase of the third-year application, the HUD field representative informed the county executive's administrative assistant in charge of the CDBG program that the county would have to make sure that its third-year program was primarily targeted to benefit low- and moderate-income persons. The county responded by ranking its communities according to the proportion of lower-income households in each community; any municipality in which the proportion exceeded the countywide average of 24 percent was designated as eligible for priority funding. Fifty-one of 106 cooperating municipalities were so classified. The county staff estimated that these municipalities received about 80 percent of the total county entitlement for the third year. The assumption was that these communities would target funds to their poorer neighborhoods. In the fourth year, the county targeted its CDBG resources toward low- and moderate-income groups to an even greater extent, partly at HUD's prodding and partly on its own initiative. County officials had perceived themselves heading in this direction in any case, preferring a slow and cautious approach that would not politically offend upper income groups. But it was clear that the timetable for targeting benefits was pushed forward by the area office's interpretation and application of the Embry memo and the March 1978 regulations.

In some instances, HUD's influence during the third and fourth years was more a continuation of earlier HUD-local issues concerning social targeting than a reflection of changing positions by area office officials. In such cases, the new policies from Washington tended either to reinforce agreements already reached between HUD field officials and local decisionmakers or to give new leverage to HUD area officials who had been unsuccessful in influencing the local targeting of program benefits. Greece, N.Y., and Scottsdale, Ariz., are examples of each of these kinds of situations.

Capsule 3-8. Greece, N.Y.

The major theme of Greece-HUD relations was evident by the end of the first year and continued virtually unchanged through the fourth-year application process. HUD continued to pressure this rapidly growing, affluent satellite city to target CDBG funds to lower income residents. Although Greece's major priorities called for general development projects to accommodate its rapid growth, since the second program year the city has allocated its CDBG funds toward a strategy of neighborhood conservation in its older and poorer areas. This attention to the needs of older neighborhoods

was due largely to the influence of HUD and has brought town officials to the point where housing rehabilitation is automatically funded each year at about 20 percent of the entitlement, and related park and neighborhood improvements are targeted to the older sections of town.

Capsule 3-9. Scottsdale, Ariz.

Scottsdale and HUD are old adversaries, at least since the beginning of CDBG, over the question of the city's role in regional housing efforts for lower income families and the use of CDBG funds to benefit low- and moderate-income residents. Given the city's newness and affluence, it is not surprising that it has had some difficulty finding acceptable targets for expenditure. In the first 2 years, the city allocated most of its funds to citywide capital improvements and to parks and recreation activities. In the third year, the HUD area office disallowed over \$800,000 of expenditures--about 45 percent of the block grant--that had been allocated to capital improvements in the most affluent parts of the city. Scottsdale officials contended that HUD was interfering with the city's decisionmaking authority under the block grant legislation and carried their fight to Washington by mobilizing the Arizona congressional delegation. The city failed in its attempt to reassert its own priorities: HUD Secretary Harris denied the appeal, and the city was forced to reprogram the funds to its lower-income areas. From Scottsdale's point of view, however, the battle had just begun. The city successfully lobbied for a clause that appeared in the final regulations permitting cities to use city median income levels to determine low- and moderate-income classifications. Otherwise, none of Scottsdale's census tracts would have been eligible. As a result, the strained relations between Scottsdale and HUD during the third year appear to have eased. The fourth-year application has stronger targeting than the previous years, and it was approved by the area office without any problems. But, as one city official described the process: "Both HUD and the city were bloodied in the third-year battle, and we both learned something from it."

Many social targeting issues concerning housing dealt with the local formulation of housing assistance plan (HAP) goals and the types of households targeted for housing assistance. The HAP issue most frequently concerned the local preference for housing for the elderly over housing for large families--the kinds of "proportionality" issues that HUD's March 1978 regulations formally addressed. Many jurisdictions

allocated a much larger share of housing assistance to elderly households than their proportion of the housing-needy population suggested, while providing proportionately less assistance for nonelderly households that included larger families with children. Frequently, the local preference was related to the political problems associated with developing housing opportunities for families with children, particularly in the case of minority households. By contrast, elderly housing assistance was more popular and far less controversial. The following capsule illustrates this point.

Capsule 3-10. Huntington Beach, Calif.

The major issue in this locality concerned the housing component of the CDBG program and specifically the HAP. HUD called in the city's CDBG staff and requested that they revise their fourth-year HAP goals; HUD then mandated the HAP goals to the staff. HUD contended that the original HAP goals overemphasized "affordable" housing for the elderly and underemphasized housing opportunities for low- and moderate-income families. Local officials viewed HUD's revisions as unrealistic, believing that they were being put into a position of being unable to implement the revised goals. Both the HUD and local perceptions have some validity. Data gathered by HUD and the State clearinghouse confirm that the needs for housing assistance among lower income families had not been adequately or equitably addressed in local HAP plans. But local political forces were aligned in the opposite direction. Senior citizens in Huntington Beach were a well-organized, potent political force who made their demands known to the CDBG staff and to local elected officials, particularly in the area of housing. Local officials perceived that poor and minority residents were not organized as a local pressure group. These local perceptions were in turn reflected in the local HAP decisions.

The field reports also showed that HUD's involvement in social targeting issues varied among the different types of jurisdictions. Problems with social targeting tended to occur more frequently in suburban jurisdictions (satellite cities and urban counties) than in central cities (table 3-8). Nearly all suburban jurisdictions (19 of 22) had an encounter with HUD over the distribution of program benefits, whereas the same issue arose in two-thirds (21 of 30) of the central cities.

Table 3-8. Number of Jurisdictions in Which Intergovernmental Issues Occurred During Years 3 and 4, by Type of Issue and Jurisdiction

Type of involvement	Total years 3, 4	Type of jurisdiction			
		Central cities	Satellite cities	Urban counties	Nonmetro- politan
<u>Strategy issues</u>	<u>53</u>	<u>26</u>	<u>11</u>	<u>9</u>	<u>7</u>
Social targeting	<u>44</u>	<u>21</u>	<u>10</u>	<u>9</u>	<u>4</u>
Housing related	28	13	7	6	2
Nonhousing activities	33	15	8	7	3
Geographic tar- geting	<u>33</u>	<u>16</u>	<u>5</u>	<u>7</u>	<u>5</u>
Housing related	11	4	1	5	1
Nonhousing activities	30	15	5	5	5
Other strategy issues	<u>30</u>	<u>14</u>	<u>6</u>	<u>7</u>	<u>3</u>
Housing related	22	10	4	5	3
Nonhousing activities	14	8	3	3	0
<u>Program issues</u>	<u>34</u>	<u>17</u>	<u>8</u>	<u>6</u>	<u>3</u>
Housing	12	4	3	4	1
Physical develop- ment	15	9	3	2	1
Public/social service	15	8	4	1	2
Other	10	7	3	0	0

Table 3-8. Number of Jurisdictions in Which Intergovernmental Issues Occurred During Years 3 and 4, by Type of Issue and Jurisdiction (continued)

Type of involvement	Total years 3, 4	Type of jurisdiction			
		Central cities	Satellite cities	Urban counties	Nonmetro- politan
<u>Compliance issues</u>	<u>38</u>	<u>20</u>	<u>5</u>	<u>7</u>	<u>6</u>
Equal opportunity	28	15	4	4	5
Environmental clearance	13	6	2	4	1
Citizen partici- pation	11	6	2	2	1
Davis-Bacon	8	3	1	3	1
Other	8	4	1	3	0
<u>Administrative issues</u>	<u>39</u>	<u>21</u>	<u>9</u>	<u>6</u>	<u>3</u>
<u>Rate of expenditure</u>	<u>17</u>	<u>10</u>	<u>2</u>	<u>3</u>	<u>2</u>
Total jurisdic- tions	61	30	12	10	9

Source: Field research data.

Note: Each figure in the table represents the number of jurisdictions in which a particular type of issue occurred at a particular stage of the program. Numbers in columns do not total because of overlap among categories.

Geographic Targeting Issues. Geographic targeting issues occurred more frequently during the fourth-year application stage with the introduction of the neighborhood strategy area (NSA) concept in the March 1978 HUD regulations. Under the new regulations, localities are expected to concentrate CDBG investments in areas they designate as NSA's. These provisions required some jurisdictions to change earlier distribution patterns of CDBG-funded programs that had dispersed activities across many neighborhoods. In particular, HUD field offices questioned several "free-standing" service programs--frequently carried over from the model cities program or activities started under CDBG to provide communitywide services--to assure that the purpose of such services was primarily to support physical improvement activities in the NSA's. The capsule of Dade County, Fla., presented earlier in this section illustrates this issue. Similarly, the earlier capsule on Houston shows HUD's influence in promoting more neighborhood-concentrated programs, although at a cost to some areas outside the designated NSA's that had anticipated specific projects. The Minneapolis capsule below illustrates detailed interactions between HUD and localities concerning geographic targeting.

Capsule 3-11. Minneapolis

The NSA requirements in the fourth-year application caused several problems with the city's earlier social services strategy and made services a major HUD-local issue. The HUD area office required that CDBG-funded public service activities serve primarily the residents of NSA's where physical development activities were being concentrated. To make the transition from a much broader citywide system of services, the city had to create interim NSA's, which were to be approved by HUD as a step toward concentration of efforts. To postpone the problem of drawing back on service commitments in some areas, the city proposed the existing target neighborhoods as interim NSA's, but HUD objected, claiming that the Powderhorn area was too large and the proposed programs within it were too thinly distributed. Powderhorn and two other interim areas would have to be reduced in size in order to meet HUD criteria. Local staff members were concerned that the reprogramming effort would require reactivating the elaborate decisionmaking structure set up for the fourth-year application or risk incurring the wrath of the citizens. Extensive discussions followed, involving HUD, city staff, and the city council. A compromise resulted that restricted services to approved interim NSA's and permitted only physical development activities in the disputed areas. One of the major consequences was that a number of citywide service programs

funded by CDBG--such as day care and the Age and Opportunity Center--were restricted to residents of the NSA's. The issue was expected to recur in the fifth program year.

Geographic targeting was an issue in about half of all types of jurisdictions, whether they were central cities, suburban jurisdictions, or nonmetropolitan communities (table 3-8).

Other Strategy Issues. Among other strategy issues that emerged between HUD and localities, the relationship between housing strategies and local community development approaches assumed the greatest prominence. As shown in table 3-8, strategy concerns related to physical development activities, service programs, and other nonhousing activities were less frequent and more varied, and had no clear pattern among the sample jurisdictions.

Although housing-related issues declined between the third and fourth years, they have been a source of concern between HUD and localities. The basic housing questions raised in these HUD-local involvements fall into several specific areas.

Attempts to stimulate lagging local interest in addressing lower income housing needs through appropriate CDBG-HAP strategies received the most consistent attention. This was the case in 8 of the 22 jurisdictions in which housing-related strategies were a source of disagreement between HUD and localities; 6 of the 8 jurisdictions were suburban communities. In these cases, the issue was whether any effort was being made in housing as part of an overall CDBG strategy, rather than the targeting of housing benefits per se. In Orange County, Calif., market obstacles reinforced local reluctance to take up housing issues; in Mt. Vernon, N.Y., the issue concerned the extent to which housing priorities should take precedence over other development priorities.

Capsule 3-12. Orange County, Calif.

HUD registered its dissatisfaction with the county's inability to move forward in providing housing for low- and moderate-income families. County officials maintained that the CDBG program was understaffed and particularly lacked people with housing specialist skills. Land and property values in Orange County have skyrocketed in recent years; demand for upper income housing has been high despite rising construction costs; and developers have little incentive to build units appropriate for lower income households, whether

they are renters or buyers. In addition, there has been resistance on the part of some cooperating cities to accommodate lower income families. Two cities have already withdrawn from the CDBG program because of county pressures to include plans for assisted housing. HUD recognizes the constraints on new construction but has continued to press the county to strengthen its activities in housing rehabilitation, section 8 rental subsidies, and mortgage loan programs.

Capsule 3-13. Mt. Vernon, N.Y.

From the start, Mt. Vernon's CDBG program generated a good deal of local controversy among minority leaders over its attempt to develop communitywide facilities--an ice skating rink and a multimillion dollar development over the railroad line that bisects the city--while ignoring the housing needs of the southeast side, a neighborhood with a large concentration of low-income and minority residents. The NAACP, along with a coalition of other minority organizations from the southeast, tried to block the city's CDBG plans for the rink, but the HUD area office stated that the development was within Federal guidelines. These problems recurred (after the death of the mayor and the election of a new mayor) during the second program year, when the city tried to reprogram CDBG allocations to build a parking garage in a shopping area to boost downtown improvement. The NAACP mounted another campaign, which included several letters to Secretary Harris complaining about the lack of emphasis on housing for the poor. During the A-95 review for the third-year application, the charge was also picked up by Suburban Action and the Coalition for an Equitable Region. The NAACP also registered its dissatisfaction with congressional representatives in Washington, and these complaints were communicated to HUD. Because of the attention drawn to Mt. Vernon, the director of the HUD area office made two site visits, but the charges were successfully rebutted by the city in its subsequent documentation of housing-related activities.

In five jurisdictions, issues arose between HUD and the communities over the formulation of HAP goals and section 8 strategies or allocations over the extent to which housing opportunities should be emphasized in relation to other strategies. Other housing-related strategy issues were varied and affected only a few jurisdictions. In some cases, HUD and third parties objected to local efforts to direct CDBG-funded housing rehabilitation exclusively to homeowners while overlooking or giving less emphasis to tenants. In other instances, HUD objected to the neighborhoods designated

for local housing efforts on grounds of equity by racial or income group. HUD tried in two instances to tie section 8 allocations to the improvement and occupancy of defaulted FHA properties, but met with local disagreement. In Chicago, the Gautreaux decision triggered a HUD-local controversy and negotiations over housing strategies.³ In New York City, an extended dispute between the city and HUD over the city's use of CDBG funds to operate buildings taken over by the city as a result of tax delinquency was resolved in the city's favor.

Program Issues

The kinds of program issues that arose shifted by the third and fourth program years. In the first 2 years of CDBG, housing and social service programs were the primary areas of contention. These issues usually focused on the "expected-to-reside" (ETR) provision in the HAP goal formulations, or the responsibility of the locality to document the housing needs of those expected to reside within their borders, and on the eligibility of public or social service programs. By the fourth year, these were no longer major issues. Generally, program issues appear to have declined in relative importance as strategic issues gained more attention (table 3-7). The programs that emerged as issues in the third and fourth year were broader in scope, including community development activities, capital improvement projects, and housing and social service activities.

Most program issues concerned the eligibility of specific activities, particularly in relation to physical development activities. In several instances, HUD questioned whether spending CDBG funds on historical preservation and restoration activities was appropriate. Issues were also raised over the use of CDBG funds for projects providing broad, communitywide benefits, such as the development of a watershed; construction of a parking garage, a city ice

3. In 1969 a U.S. district court ruled against the Chicago Housing Authority for practicing racial segregation in selecting tenants and in locating new public housing units. The court established quotas requiring the location of over three-fourths of new public housing units in white residential areas. Since the block grant program, HUD has been concerned that local CDBG-HAP decisions be consistent with the court mandate.

rink, arterial roads, and a seawall; renovation of school buildings and museums; and repair of potholes.

Eligibility concerns were also raised about various housing and social service programs; a few instances involved the use of block grant funds to buy land for the private development of assisted housing. Other eligibility issues related to housing programs occurred in single instances--for example, emergency housing repairs and relocation, use of CDBG funds for bonding rehabilitation contractors, conversion of an old warehouse to multifamily housing, rehabilitation of mobile homes, and demolition in a nonblighted area.

Eligibility questions concerning social service programs also varied; however, unlike the earlier years, the eligibility of particular or unusual kinds of services was not questioned. Examples of such services that had been questioned earlier are funding of scholarship programs, operation of a community center built with CDBG funds, burglary prevention and other police-related services, legal services, radio and newspaper activities, recreation programs, and a program for teaching cardiopulmonary resuscitation.

In sum, the program issues that remained by the fourth year covered an assortment of unpredictable technical questions and eligibility concerns of the kind that call for close decisions in any Federal grant program.

Compliance Issues

Equal Opportunity. Among the compliance issues that confronted HUD and recipient localities during the third and fourth program years, issues involving equal opportunity occurred in nearly half (28) of the jurisdictions (table 3-7). The equal opportunity issue arose with particular frequency in central cities (table 3-8). Half of the central cities had encounters with HUD over equal opportunity issues during the third and fourth years, while only one third of the suburban jurisdictions had such encounters. Although we are not sure what caused these jurisdictional differences, it is possible that the larger concentrations of minority residents and the greater political activism of groups in central cities increased the importance and incidence of equal opportunity issues.

The field reports and data on equal opportunity issues show considerable continuity both in the number of jurisdictions in which they surfaced--28 jurisdictions during the

third and fourth years--and in the persistence of these issues and problems in many of the jurisdictions in which they first appeared. The concern that occurred most frequently involved local obstacles and delays in instituting affirmative action measures in the hiring practices of the local government and of contractors carrying out CDBG-funded projects. In other instances, the emphasis was on efforts to increase the use of minority-owned firms in CDBG activities or to institute or strengthen local fair-housing ordinances and practices. Generally, the issues were limited to particular criticisms of local CDBG efforts and emerged in the annual HUD performance monitoring of local programs. The following capsules illustrate these issues.

Capsule 3-14. Bangor, Maine

Although CDBG issues that arose between HUD and the city generally were not highly controversial, the equal opportunity issue was the possible exception. The issue was stimulated, at least in part, by complaints from the local chapter of the NAACP. After hearing the equal employment opportunity (EEO) officer from the HUD area office speak at an NAACP meeting, chapter members took the opportunity to express their concerns about Bangor's hiring practices. Later, the HUD office threatened to withhold the fourth-year block grant entitlement until it received a letter of assurance from the city that equal opportunity goals would be met. Local officials were surprised by the firmness of HUD's position and by the fact that there had been little advance warning. Nevertheless, the matter did not generate heated controversy; the city accepted HUD's position.

Capsule 3-15. Durham, N.C.

The only major conflict between Durham and HUD in the third and fourth years concerned the city's refusal to implement a formal affirmative action program, with specific goals for minorities and women, covering all employment in city government. Although HUD sought to bring Durham to the point of submitting a plan, the agency was unable to force compliance because it lacked the legal authority to penalize the city for noncompliance. But the situation may change in the near future because the city manager who resisted compliance resigned. His recently appointed successor favors developing a formal affirmative action plan.

The problems of monitoring equal opportunity compliance in urban counties are made more difficult because local governments have two levels of responsibility for CDBG activities. The recipient county government must (1) comply with Federal requirements governing the CDBG-funded activities that they are directly responsible for and (2) monitor the compliance of participating municipalities that receive CDBG allocations through the county. Cook County, Ill., provides an example of the problems that can result.

Capsule 3-16. Cook County, Ill.

The routine monitoring of program records by the Chicago HUD area office at the end of the second program year, and the agency's review of the county's grantee performance report, revealed vagueness and possible deficiencies in the county and municipal compliance with various Federal compliance regulations--relocation and property acquisition, equal opportunity requirements, affirmative action provisions, and Davis-Bacon wage provisions. At the beginning of the third program year, the area office pressed the county to tighten its monitoring of municipal performance by adding staff for the purpose. The county agreed and hired a full-time staff member to promote and monitor municipal compliance. The new staff member set out to enforce the intergovernmental agreements that already existed between the county and cooperating municipalities. These agreements contained "boilerplate" legal provisions covering the full range of compliance requirements. In addition, he explained to municipal officials and staff what was required and clarified the provisions to be included in all contracts between CDBG-funded municipalities and private contractors. In March 1978, the director of the HUD area office sent a letter establishing a goal that 26 percent of CDBG project allocations be awarded to minority-owned businesses. The county compiled and distributed a directory of minority-owned businesses to be used by participating municipalities in locating minority contractors for community development projects. After a monitoring visit in July 1978, the area office found that "Cook County has complied substantially with all equal opportunity requirements. . . ."

In a few instances, equal opportunity disputes HUD and local officials were more serious. In a few dictions, the issues spanned a broad range of allegations in priorities related to the CDBG program. gheny County, Pa., a coalition of local civil rights complained to HUD about affirmative action in county ment, minority participation in CDBG-funded economic

development activities, and the degree to which minority communities shared in the distribution of CDBG program benefits. In Boston, a State agency--the Massachusetts Commission Against Discrimination (MCAD)--used the A-95 review process to press for across-the-board reforms in the city's fair-housing program, hiring and contracting practices, and the distribution of CDBG program benefits, particularly in the awarding of housing rehabilitation loans. In Philadelphia, during the review of the fourth-year application, the equal opportunity branch of HUD's central office charged that the city's CDBG program was racially discriminatory. With some help from the HUD area office, the city was able to refute the Washington contentions. In the instances of major HUD-local disputes over minority issues, equal opportunity advocates were generally able to secure some gains as a result. This is reflected in the outcome patterns (discussed in the next section) associated with equal opportunity issues, which almost always are resolved in HUD's favor.

Other Compliance Issues. Other compliance issues emerged less often. Of the remaining compliance issues--environmental review, citizen participation, Davis-Bacon wage provisions--none occurred in more than one-fifth of the jurisdictions during any program stage, far less than the frequency of equal opportunity issues.

Environmental compliance issues usually reflected HUD criticisms of local procedures for obtaining environmental clearance. The most frequent problem with regard to citizen participation concerned local conformance with the prescribed procedural guidelines. In a few instances HUD's objections went beyond procedures. In Phoenix, HUD pressed for the creation of a citizen participation structure; in Sioux Falls, S.D., HUD criticized the lack of minority representation on the citizen advisory committee; in Worcester, Mass., HUD urged that the community move toward a neighborhood-based citizen participation structure. Davis-Bacon issues dealt either with inadequate local compliance monitoring procedures or with alleged or actual violations.

Administrative/Technical Issues and Expenditure Rates

Administrative and technical issues occurred in 39 of the 61 jurisdictions and covered a range of concerns. Problems that appeared regularly were inaccuracies and deficiencies in local applications and reports to HUD, and inadequacies in the record-keeping of local CDBG administrators.

Issues concerning expenditure rates or the rate of implementation occurred in 17 jurisdictions. Implementation problems, including rates of expenditure, are discussed in chapter 7.

Initiation of Issues

In describing each issue that arose, associates also identified the parties responsible for initiating the issue--HUD, the locality, or a third party. Third parties could be individuals, local public or private interest groups, or neighborhood-based organizations. Thus, a resident who objected to specific CDBG-funded activities and got HUD to intervene exercised initiative; in this instance HUD was not the initiator but only responded to another party. HUD's objection to a park project that would serve an upper income area or placement of conditions on approval of an application are examples of HUD initiative. Local attempts to alter HUD's policies in favor of its own priorities are instances of local initiative. Table 3-9 shows the initiating source for each major type of issue.

Because of the general expansion of HUD's role, we would expect a great deal of HUD initiative, especially on targeting issues. Those expectations are confirmed in table 3-9. In each issue area, the initiative came overwhelmingly from HUD, especially in regard to targeting issues. In addition, HUD often exercised initiative in administrative, compliance, and program issues. HUD persisted in pressing an issue in different program stages most often in the areas of targeting and compliance.

Although third parties initiated issues in far fewer jurisdictions than did HUD, they did so more often than local officials. Most frequently, third-party actions took the form of complaints to HUD when efforts to negotiate the problem directly with local officials did not succeed. Local governments raised issues infrequently, perhaps because of the decentralization achieved during the first 2 years of the program. Because local decisionmakers usually determined program content and procedures, efforts to influence or change local decisions and procedures during the third and fourth program years rested with HUD or third parties.

Table 3-9. Initiation of HUD-Local Issues, by Type of Issue

Type of issue	Number of jurisdictions in which issue arose			
	Initiated by locality	Initiated by third party	Initiated by HUD	Initiated by HUD at more than one program stage
<u>Strategy issue</u>	<u>a</u>	<u>13</u>	<u>53^a</u>	<u>a</u>
Social targeting	a	7	42 ^a	21 ^a
Geographic targeting	a	3	2 ^a	13 ^a
Other strategy	5	12	24	10
<u>Program issues</u>	3	7	29	7
<u>Compliance issues</u>	3	8	34	16
<u>Administrative issues</u>	3	1	37	8
<u>Rate of expenditure</u>	0	3	14	5
Total jurisdictions	61	61	61	61

Source: Field research data.

Note: The sums of rows or columns do not total to the sample size because issue areas overlapped. For example, a jurisdiction may have one strategy issue initiated by a third party and another initiated by HUD; the jurisdiction will be counted in both totals. Also, a jurisdiction having program issues may also have compliance issues and will be counted in both totals.

a. In five cases initiative was exercised by local CDBG officials in the submission of plans and proposals that were known to be contrary to HUD's position regarding social or geographic targeting. Since it was difficult to isolate the extent to which the initiative lay with HUD in its new targeting policies or with localities opposing them, initiative was not assigned in these cases.

Outcomes of HUD-Local Issues

In our second report, we reported that during the first 2 program years HUD's position prevailed in nearly all of the procedural issues and on most of the programmatic issues. However, outcomes on strategy issues favored the local jurisdictions in more than half the cases. Because strategy issues were considered to be the most important substantive issues, we concluded that although HUD tended to have authority on administrative and program issues, the goal of decentralization of substantive decisionmaking had been achieved to a notable degree.

Definitions. To assess the decentralization trend, we extended the outcome analysis approach into the third and fourth program years with the same classification framework used in our first report. Direct longitudinal analysis is not possible because of coding variations between the two reports; however, we can make general comparisons between years on the outcomes of the issues. Table 3-10 shows the "outcome patterns" associated with each type of HUD-local issue for the third and fourth years. To obtain the pattern, we classified the outcome of each HUD-local issue reported by the field associates as follows: HUD wins, locality wins, compromise, or not yet resolved. Then for each jurisdiction we aggregated the outcomes of all issues to determine the outcome pattern.

For example, assume that a program issue arises on several occasions in a jurisdiction over the third and fourth program years. If the outcomes include both HUD and local wins, then the outcome pattern is one of mixed outcomes; similarly, the pattern is mixed outcomes if there are neither HUD nor local victories but the issues are compromised. If there is at least one HUD win but no local wins, then the pattern is one in which outcomes favor HUD. If there is at least one local win and no HUD win, then the pattern is one in which outcomes favor the locality. If neither side wins at least once and there is no compromise, then the pattern is one of undetermined outcomes. Patterns were categorized as follows:

1. Outcomes Favor HUD: At least one HUD win, possibly accompanied by compromises and unresolved outcomes; no local wins.
2. Outcomes Favor Locality: At least one local win possibly accompanied by compromises and unresolved outcomes; no HUD wins.

Table 3-10. Outcome Patterns for HUD-Local Issues Raised During Years 3 and 4, by Type of Issue

Type of issue	Total juris- dictions	Number of jurisdictions			
		Outcomes favor HUD	Mixed outcomes	Outcomes favor locality	Undeter- mined outcomes
<u>Strategy issues</u>	<u>53</u>	<u>18</u>	<u>29</u>	<u>5</u>	<u>1</u>
Social tar- geting	<u>44</u>	<u>18</u>	<u>16</u>	<u>7</u>	<u>3</u>
Housing related	28	17	4	3	4
Nonhousing activities	33	12	12	8	1
Geographic targeting	<u>33</u>	<u>12</u>	<u>11</u>	<u>5</u>	<u>5</u>
Housing related	11	5	1	2	3
Nonhousing activities	30	13	7	6	4
Other strategy issues	<u>30</u>	<u>11</u>	<u>10</u>	<u>5</u>	<u>4</u>
Housing related	22	10	6	3	3
Nonhousing activities	14	5	4	4	1
<u>Program issues</u>	<u>34</u>	<u>20</u>	<u>7</u>	<u>7</u>	<u>0</u>
Housing related	12	10	0	1	1
Physical development	15	9	0	6	0
Public/social service	15	7	1	7	0
Other	10	5	2	2	1

Table 3-10. Outcome Patterns for HUD-Local Issues Raised During Years 3 and 4, by Type of Issue (continued)

Type of issue	Total juris- dictions	Number of jurisdictions			
		Outcomes favor HUD	Mixed outcomes	Outcomes favor locality	Undeter- mined outcomes
<u>Compliance issues</u>	<u>38</u>	<u>24</u>	<u>5</u>	<u>4</u>	<u>5</u>
Equal oppor- tunity	28	17	0	5	6
Environmental clearance	13	11	0	1	1
Citizen par- ticipation	11	7	0	4	0
Davis-Bacon	8	7	0	0	1
Other	8	6	0	1	1
<u>Administrative issues</u>	<u>39</u>	<u>26</u>	<u>4</u>	<u>3</u>	<u>6</u>
<u>Rate of expen- diture</u>	<u>17</u>	<u>8</u>	<u>2</u>	<u>3</u>	<u>4</u>

Source: Field research data.

Note: It is possible to sum data across rows, but not possible to do so down columns because of overlap. For example, a jurisdiction having a social targeting issue and a geographic targeting issue will be counted only once in the strategy issue category.

3. Mixed Outcomes: Either the aggregated outcomes contain both a HUD win and a local win, or they are all compromises possibly accompanied by unresolved outcomes.
4. Unresolved Outcomes: No HUD or local wins and no compromises, and at least one unresolved issue.

For each type of issue, table 3-10 provides the number of jurisdictions in which each kind of outcome pattern occurred during the third and fourth years.

Findings. During the third and fourth program years, HUD prevailed on program and compliance issues in a substantial majority of jurisdictions in which such issues occurred; the compliance issue pattern was similar to that of the first and second years. In the new category--rate of expenditure issues--HUD prevailed in at least half the cases. On substantive issues of strategy, the outcome patterns were more mixed, although the trend appears to be more in the direction of outcomes favoring HUD, a shift from the first and second years. Of the 53 jurisdictions in which strategy issues occurred, most jurisdictions (29) showed a mixed outcome. However, among the remaining 24 jurisdictions outcomes were predominantly in favor of HUD (18 favored HUD while only 5 favored the locality and 1 was unresolved). Thus, there has been a shift to a higher proportion of HUD wins on substantive issues.

Within the strategy issue category there are some important variations in the pattern of HUD wins. HUD won three-fifths of the social targeting issues on housing-related strategies; this issue usually concerned the proportionality test applied to HAP goals and appears to have been enforced by HUD area offices fairly consistently. Overall outcomes also favored HUD in the social targeting of nonhousing activities and in geographic targeting, but there was a higher proportion of jurisdictions with mixed outcomes.

This general trend toward more HUD wins varies by type of jurisdiction. We noted earlier the more frequent occurrence of targeting issues in suburban jurisdictions and HUD's greater influence there. Similarly, the outcome patterns associated with targeting strategy issues tend to differ by type of jurisdiction (table 3-11). HUD had its strongest success record on targeting issues in the sample suburban jurisdictions, where there were relatively few outcome patterns clearly in favor of the localities; on social targeting issues the outcome favored HUD 10 to 2, and on geographic targeting HUD was favored 7 to 1. The record is more mixed in the central cities, where there are much greater

Table 3-11. Outcome Patterns for HUD-Local Strategy and Program Issues, by Type of Jurisdiction, Years 3 and 4

Type of jurisdiction	Social targeting				Geographic targeting				Other strategy issues				Program issues			
	HUD	Mixed	Local	Unre-solved	HUD	Mixed	Local	Unre-solved	HUD	Mixed	Local	Unre-solved	HUD	Mixed	Local	Unre-solved
Central cities	5	9	4	3	3	6	4	3	3	8	1	2	6	6	5	0
Suburban jurisdictions	10	7	2	0	7	2	1	2	5	2	4	2	11	1	2	0
Satellite cities	5	4	1	0	3	0	1	1	2	2	2	0	6	1	1	0
Urban counties	5	3	1	0	4	2	0	1	3	0	2	2	5	0	1	0
Nonmetropolitan jurisdictions	3	0	1	0	2	3	0	0	3	0	0	0	3	0	0	0
Total	18	16	7	3	12	11	5	5	11	10	5	4	20	7	7	0

Source: Field research data.

balances of HUD and local wins. On social targeting the outcome was 5 to 4, but the outcome for geographic targeting favored the localities 4 to 3. HUD also dominated the local governments on program issues 11 to 2, but the pattern was much closer in central cities at 6 to 5. As expected, HUD dominated the nonmetropolitan jurisdictions across the board.

To summarize, HUD's role in the process expanded in both years, although its overall influence over program content remained relatively stable. HUD influence in particular policy areas did increase, however, as seen in the issue-outcome data. The areas of new influence were principally in social and geographic targeting and were particularly striking in suburban jurisdictions. This influence suggests that the new targeting policies that evolved in 1977 and 1978 affected program decisions in the third and fourth years. Chapter 6 presents an analysis of the social targeting impacts.

HUD Conditions and Warnings

A final perspective on HUD's expanding intergovernmental role concerns the practice by area offices of attaching formal conditions or informal warnings to the local CDBG application. In some cases, the HUD area office gave the local CDBG application "conditional approval"; that is, the grant was approved if the jurisdiction met certain conditions during the program year of the application or the following year. The other HUD sanction was more informal and consisted of warnings from HUD to local officials that the locality might lose some or all of its entitlement grant the following year if certain conditions were not met.

The field associates reported that the use of these HUD sanctions was fairly widespread during the third and fourth years, affecting 40 sample jurisdictions (table 3-12). Twenty-eight jurisdictions had conditions attached to their approved applications; 30 received warnings. The use of conditions and warnings increased between the third and fourth years; the largest increase was in the number of warnings over local rates of expenditure of CDBG funds.

Generally, the conditions that HUD imposed on CDBG applications during the third and fourth years closely resembled the distribution of HUD-local issues. Targeting issues, both social and geographic, were the predominant reason that HUD attached conditions to applications, but the range of issues was broad. Although targeting issues were also an

important reason for HUD warnings in the third and fourth years, there was a large increase in warnings in the fourth year for rates of expenditure, as HUD began to warn localities that future grant levels could drop if implementation capacities were not improved. The increase in warnings about expenditure rates may have signaled HUD's shift to making program execution and performance a major block grant issue, a subject we will examine in the final round of CDBG monitoring.

Table 3-12. Number of Jurisdictions to Which HUD Applied Sanctions, by Type of Issue, Years 3 and 4

Type of issue	Conditions			Warnings		
	Year 3	Year 4	Total	Year 3	Year 4	Total
Social targeting	12	6	12	3	5	6
Geographic targeting	5	7	9	2	3	3
Equal opportunity	3	3	5	4	3	5
Environmental	3	4	7	0	0	0
Citizen participation	1	0	1	1	0	1
Davis-Bacon	2	0	2	0	0	0
Administrative issues	4	3	5	0	3	3
Rate of expenditure	2	3	4	2	11	11
HAP-related issues	1	4	5	0	4	4
Other issues.	2	5	6	1	3	4
Total jurisdictions	19	21	28	13	26	30
Number of jurisdictions in study ^a	57	56	57	57	56	57

Source: Field research data.

Intergovernmental Dynamics:
The State and Regional Role

Although HUD is the principal external influence on the local CDBG decisionmaking process, regional and State agencies also have an opportunity to influence the program; however, their actions to date have been limited and largely ineffective. The Housing and Community Development Act requires that grant applications be "submitted for review and comment to an areawide (regional) agency under procedures established by the President." This is implemented through the A-95 review process, established by the Office of Management and Budget. The executive order establishes a process in which clearinghouse agencies at both the State and regional levels review local grant applications and comment on the impact of the proposed programs and their consistency with areawide objectives. Although these agencies review and comment, they cannot veto an application; the absence of a veto authority limits the effectiveness of their reviews.

In field reports on the A-95 reviews for both the first and second years of CDBG, we found little effective influence by State and regional agencies. In the first year, perhaps because of time pressures, most A-95 reviews at the State and regional levels were perfunctory. In many cases, particularly at the State level, agencies conducting reviews sent letters to local jurisdictions acknowledging receipt of the applications but making no substantive comments. In the second year, associates reported that the review agencies and the local communities took the review process somewhat more seriously, but overall this process had little impact on the applications submitted to HUD. The absence of A-95 issues led us to conclude that HUD was clearly the most significant external governmental actor in the CDBG decisionmaking process and that the A-95 process was largely pro forma.

Note: The sums of rows or columns do not add to sample size because of overlaps. A jurisdiction may have been cautioned in years 3 and 4 but was counted only once in the total column, the same as for a jurisdiction cautioned in only 1 year. Similarly, a jurisdiction may have had warnings over several issues, but was counted only once in the total.

a. Pulaski County, Ill., was not included in the fourth year of CDBG. Data were unavailable for Boston, Cambridge, Mt. Vernon, and New York.

There is some evidence in the field reports on the third and fourth program years of changes in the earlier findings on the A-95 processes. Associates in 10 jurisdictions reported some strengthening of the State A-95 review process; they noted a weakening of the process in 2 jurisdictions. The regional or areawide role was expanded in 2 jurisdictions, according to the associates. Overall, however, these changes are relatively weak signals of expanding influence. In several instances, the strengthening was primarily due to more conscientious and thorough documentation by the A-95 agencies; substantive reviews of local CDBG plans were infrequent. When they did occur, they tended to focus on the relationship between the HAP and regional housing plans. In one of the strongest instances of A-95 influence on local CDBG efforts, the Massachusetts Commission Against Discrimination used the State A-95 review to make improvements in equal opportunity compliance and antidiscriminatory activities in three communities of the sample. In addition, there were a few instances in which third parties at the local level were able to use the A-95 reviews to raise their objections to local CDBG decisions and bring them to HUD attention; the earlier capsule on Mt. Vernon, N.Y., is an example of this.

On the whole, the A-95 process is not a vital part of the local CDBG process, and there is little evidence to suggest that it will become important in the future. It may nevertheless provide an alternative access point to the policy process in exceptional circumstances when it is called into use.

Conclusion

In the second Brookings monitoring report, we stated that the block grant gave more decisionmaking authority to local officials. At the same time, these officials perceived a growing Federal role in the program and expressed concern that the Federal expansion would continue. To some this growing role was seen as the recategorization of the program--that is, the Federal involvement would eventually mean the reimposition of Federal controls as pervasive as those associated with the categorical grants. Further discussion of the decentralization issue must await the later analysis of program choices and benefits, but at this time we find no evidence from the intergovernmental relations data to support the recategorization view.

The data show that although HUD has expanded its role in the program, to some extent this was a consequence of the aging process of the program, which required more HUD involvement

in more program stages. The data also show that HUD adopted a more active and expanded role in certain policy areas during the third and fourth years. This expanded role, based on its policy preferences for social and geographic targeting, affected the overall distribution of influence in the decisionmaking process, particularly in some better-off jurisdictions. Although these policy preferences have a legislative foundation, they are based on administrative choice and program regulations. Thus, they are subject to change if the program comes under the direction of persons with different sets of policy preferences, which, in turn, may further alter the pattern of influence in the CDBG decisionmaking process.

Even though HUD has taken a more active role in the program, the data also show that relative to the local actors in the process, HUD plays a smaller role in structuring the local program. That is, the intergovernmental analysis of this chapter suggests that, at this point in the program's 4-year history, HUD sets guidelines it thinks are needed to accomplish the national objectives of the program but leaves the selection of program instruments to the localities. This current mix of HUD-local roles is more evident in the following chapters.

Chapter 4

CDBG DECISIONMAKING: THE LOCAL PROCESS

When Congress designed the CDBG program, it tried not only to shift decisionmaking power from the Federal to the local level, but also to consolidate decisionmaking in the hands of local elected officials, particularly local chief executives and legislators. This objective was intended to end the fragmentation of decisionmaking functions among multiple special-purpose agencies established under the categorical programs. This local control was to be reinforced and complemented by citizen participation in the CDBG process.

In this chapter, we examine the role and impact of the various participants in local CDBG decisionmaking in the third and fourth years of CDBG. Several important changes have occurred since the first 2 years.

Decision Processes

One way to examine local decision processes is to focus on how different types of actors influence program content. The second Brookings report identified three types of decision systems: concentrated, shared, and dispersed. Concentrated configurations are those in which one type of participant clearly has the most influence. Shared configurations are those in which two actors are equal or nearly equal in influence, and both are dominant over other actors. Dispersed configurations are those in which influence is spread relatively evenly among a variety of actors.

We placed the jurisdictions into one of the three types of processes for each of the 4 years on the basis of the 10 influence points assigned to various actors by the field associates. The following rules were used for classification.

1. Where one actor had at least 5 points and at least 2 more points than any other actor, the configuration was defined as a concentrated or centered pattern.
2. Where two actors had the same number of points but not less than 4 each, or where one had 5 and the other 4, the influence was said to be shared.

3. Where no actor held more than 3 points, or where one actor held 4 points and no other held more than 3, the configuration was designated as dispersed, meaning that program influence was relatively evenly distributed.

The data for the 4 years show some important changes in the types of decisionmaking processes. Table 4-1 shows a marked decrease in the number of jurisdictions with centered processes over the 4 years, declining from 38 in the first year to 24 in the fourth year. By the fourth year, dispersed or more pluralistic systems became the leading type of decisionmaking process, whereas centered processes were reported in fewer than half the sample jurisdictions.

Except for the urban counties, decisionmaking patterns did not vary greatly by type of jurisdiction. In the sample urban counties, executive-centered systems have tended to persist over time, and the gradual deconcentration of influence seen in other jurisdictions has not occurred. This may be peculiar to urban counties because elected county officials often have a dual executive-legislative role and because other actors--such as citizen groups--tend to be more geographically scattered and thus may be less influential than they are in cities.

Generally, the largest shifts occurred between the first and second years and between the third and fourth years. Previous Brookings reports suggested that during the first year there was little lead time to prepare the applications, and executive actions tended to dominate the process for that reason. By the second year, more time for deliberations and increased awareness of the program by other actors helped reduce executive dominance and disperse influence. The changes between the third and fourth years resulted in part from the expansion of HUD's influence in particular policy areas and also from the growing citizen influence, which is discussed later in this chapter.

In sum, local executive officials continued to dominate CDBG decisionmaking as stated in chapter 3 (table 3-2), but shifts in the overall dispersion of influence opened up the decisionmaking process. By the fourth year, 60 percent of the jurisdictions had decisionmaking systems in which at least two kinds of actors had a major influence over the content of the program, compared with 40 percent in the first year, when most decisionmaking systems were dominated by local executive actors. In the following sections, we examine the evolution of the roles and influence of local actors.

Table 4-1. Types of Decisionmaking Processes among Sample Jurisdictions, Years 1 through 4 (number of jurisdictions)

Type of process	Year 1	Year 2	Year 3	Year 4
<u>Centered</u>	<u>38</u>	<u>27</u>	<u>31</u>	<u>24</u>
Executive	31	21	24	22
Legislative	1	1	0	0
Citizen	2	2	4	2
HUD	2	2	2	0
Other	2	1	1	0
<u>Shared</u>	<u>5</u>	<u>8</u>	<u>6</u>	<u>10</u>
Executive-legislative	1	4	1	1
Executive-citizen	2	2	3	3
Executive-HUD	2	2	2	4
Legislative-citizen	0	0	0	1
Legislative-HUD	0	0	0	1
<u>Dispersed</u>	<u>18</u>	<u>26</u>	<u>24</u>	<u>26</u>
No leading actor	6	6	8	9
Executive	9	17	10	11
Legislative	1	2	4	1
Citizen	2	1	1	1
HUD	0	0	1	3
Other	0	0	0	1
Total jurisdictions	61	61	61	60 ^a

Source: Field research data.

Note: Some figures differ slightly from those reported in second report. The associates were asked to review their assignment of influence points for the first 2 years; some associates changed influence point distributions for their jurisdictions after this review.

a. Pulaski County, Ill., was not included in the fourth-year CDBG program.

Executive Roles and Influence

The two previous Brookings studies reported that the intended local centralization of CDBG decisionmaking under the executive had been achieved during the first 2 program years. This was seen in the dominance of executive-centered decision processes and in the decline of the specialist agencies, particularly model cities agencies.¹ In the third and fourth years, we detected a small but growing trend toward greater sharing and dispersion of influence among other participants, most notably a growing HUD and citizen influence. Despite these shifts, local executive actors continued to be at the center of decisionmaking in most jurisdictions, and they were the more influential actors in nearly every case.

In previous reports we distinguished among various types of executive actors--the chief executive, staff associated with the chief executive, municipal or county departments responsible for particular line functions, and the specialist agencies associated with the categorical programs. We found that the degree of influence of these executive actors varied considerably from jurisdiction to jurisdiction. To determine shifts over time in the relative degree of influence among the executive actors, we asked associates to distribute 10 influence points among the four types of executive actors in each of the 4 years, the approach we used previously to measure relative influence among all actors. Table 4-2 shows the number of jurisdictions in which an executive actor received the most influence points (whether tied or untied).

These trends are similar to those observed in the first 2 program years. The prominence and influence of the relatively autonomous specialist agencies continued to decline as CDBG decisionmaking became more centralized, either under the direct influence of the local chief executive or of the staff and departments. Also, the diversity of executive influence continued. As noted in our report on the second program year, the chief executive maintained extensive and continuing control over program decisions in only a few jurisdictions. Most frequently, such chief executives were involved only at strategic or sensitive points in decisionmaking and delegated major responsibilities for technical decisions and application preparation to subordinates. As a result, the broad distribution of influence among chief executives, staff, and line departments is not surprising.

1. See Nathan et al., Block Grants for Community Development, chapter 10; Dommel et al., Decentralizing Community Development, chapter 4.

Table 4-2. Number of Jurisdictions in Which Each Type of Executive Actor was the Highest Ranking Actor in Terms of Influence Over Program Content

	Year 1	Year 2	Year 3	Year 4
Chief executive	22	17	17	19
Staff to chief executive	26	26	26	23
Line departments	11	17	21	22
Specialist agencies	11	7	4	4
Total jurisdictions	61	61	61	60 ^a

Source: Field research data.

Note: Because of ties between highest ranking actors, columns do not total to the number of jurisdictions.

a. Pulaski County, Ill., was not included in the fourth-year CDBG program.

Line and Specialist Agencies

Over the 4 program years, important shifts have occurred in the distribution of influence among executive actors. The influence of line departments has increased, while the decisionmaking roles of the chief executive and the executive's immediate staff dropped slightly. The number of jurisdictions in which line departments were ranked first in influence gradually increased from 11 jurisdictions in the first year to 22 in the fourth year. An analysis of this increase suggests that these shifts were caused by several simultaneous trends in the organization of local executive responsibilities for CDBG decisionmaking:

1. Local officials who had been involved in the specialist agencies continued to be influential. This influence was maintained either by absorbing these officials into existing departmental structures or by redesignating the specialist agency as a new line department of local government. Thus, the decline of the specialist agencies often resulted in the rising influence of the line departments.

2. In some jurisdictions members of the chief executive's staff who had been in charge of CDBG decisionmaking were broken off from the staff and given status as a separate department. This often happened when a new chief executive took office or when reorganizations took place.
3. The established line departments that helped implement CDBG programs gained more influence.

Generally, these trends indicate that local community development functions increasingly tended to become institutionalized as a regular function of local government; in some jurisdictions, CDBG functions were assigned to permanent departmental units. In short, as some proponents of the block grant program had hoped, community development functions were becoming an integral feature of local government. The relationships between these trends are illustrated in the following capsules.

Capsule 4-1. Los Angeles

In the third program year, the staff members in the mayor's office who had prepared the annual CDBG applications moved to a newly created line department--the Department of Community Development. This group continued to exercise a great deal of influence in dealing with both political demands and the development program for the city as a whole. The model cities staff was also eventually absorbed into the new department, and the former model cities director became its assistant general manager, thereby assuring some continuity of model cities interests in CDBG. However, the Community Redevelopment Agency--the local entity for urban renewal activities--remained separate and continued to be powerful because of its skills and experience in redevelopment activities.

Capsule 4-2. Houston

In the third program year, the Model City Department became a line department of the city. It was redesignated the Human Resources Department and implemented all CDBG-funded and other externally funded human service activities in the city. Its new status meant a loss of influence in CDBG decisionmaking because it no longer maintained independent planning responsibilities or its own channels of Federal funding. At the same time, the influence of some of the more established line departments grew significantly. The

increasing importance of capital improvement projects in local CDBG plans gave the public works and parks and recreation departments stronger leverage in the CDBG process. Project proposals initiated by the Community Development Division of the mayor's office or by citizens' groups are submitted to the departments for an assessment of feasibility and costs; the departments are free to respond positively, negatively, or to suggest alternative proposals that better reflect their own priorities. The power of these line departments to stop or delay CDBG projects and the increasing dependency on their technical expertise and cooperation have provided them with solid and expanding influence over the CDBG program.

Capsule 4-3. St. Louis

The Community Development Agency (CDA) became an established departmental unit of city government during the first year of the CDBG program and absorbed the functions that had been carried out by the specialist agencies. However, it was not until the fourth year that the agency's role became significant relative to other executive participants. A change of mayors brought new staff to the mayor's office and a new director for CDA, all relatively new to city government. Although the new mayor exercises broad influence in CDBG decisionmaking, his role is constrained by previous program commitments, legislative demands for funds for their districts, and the demands of other executive responsibilities. As a result, the staff members at CDA were in a position to provide data, knowledge of the system, and continuity for the newcomers. According to the associate, both the mayor's staff and the aldermen "grudgingly" acknowledged their dependency on CDA staff. But the agency's potential to exert greater influence in fourth-year program decisions has been countered, in part, by the mayor's appointment of a new director and other important staff changes. Nevertheless, the change of administrations after the election gave CDA increased leverage in the decisionmaking process.

Model cities agencies were often absorbed into local government. Because the original model cities legislation had limited the Federal program to 5 years, the absorption was in part a result of the "demonstration" nature of the program. Table 4-3 shows the continuing demise and conversion of the model cities agencies during the first 4 years of CDBG.

Table 4-3. Model Cities Agencies Under CDBG

Status of model cities agencies	End of year 1	End of year 2	Beginning of year 4
Special agency continued	12	5	0
Existed as city department prior to CDBG	2	2	2
Incorporated into new department	6	8	11
Absorbed into existing department	5	7	9
Dissolved with incorporation or absorption	2	5	5
Total jurisdictions	27 ^a	27	27

Source: Field research data.

a. Twenty-seven of the 61 sample jurisdictions participated in the model cities program.

Early in the CDBG program, model cities structures began to change. Half the agencies were altered by the end of the first program year; by the fourth year, no model cities agency remained intact. However, in most cases, key agency staff either became part of a newly formed executive department or were taken into existing departments. In that sense, the trends that had begun in the first year of CDBG ended by the fourth program year. Representation of the model cities "interests" did not necessarily decrease as the specialist agencies declined, however. In many cases these local community development interests were now located in regular departments of local government.

The picture for the urban renewal agencies is different. Of the 22 autonomous urban renewal agencies that were operating during the first year of the CDBG program, 17 remained as independent authorities in the fourth program year, 1 had been dissolved, and the rest had been absorbed by the departments. We have discussed some of these transitions in

earlier Brookings reports and will not detail them here.² A frequent reason given for the relative longevity of the urban renewal agencies was their experience and usefulness in continuing redevelopment programs (as noted in the Los Angeles capsule) and in executing CDBG-funded neighborhood conservation activities. Nevertheless, in many jurisdictions their role in CDBG decisionmaking has shifted substantially, from one of exercising major initiatives to that of implementing decisions made by other local officials.

Difficulties in coordinating program execution often spurred the move toward local consolidation of CDBG efforts into new departments. (This coordination problem is discussed further in chapter 7.) The staff model of CDBG administration that existed earlier in the program permitted close linkage with the chief executive, but difficulties remained in coordinating multidepartmental efforts. The following capsules are examples of this kind of reorganization.

Capsule 4-4. East Lansing, Mich.

In the fourth program year, the city's community development activities were merged into a newly created Department of Planning, Housing, and Community Development. The new city manager planned the reorganization in an attempt to overcome earlier difficulties in coordinating CDBG activities among different city departments and to insure more effective followthrough on planned community development efforts. The previous head of CDBG in the city had a position on the city manager's staff from which he found it difficult to mobilize and coordinate departmental efforts. The new department is headed by a person brought in from the outside who was given broad responsibilities. There was a reduction in the manager's direct role in decisionmaking, but in a city as small as East Lansing the department head has the opportunity for consultation with the city manager.

Capsule 4-5. Mount Vernon, N.Y.

The beginning of Mayor Sharpe's first term in office coincided with the last preparation stages of the city's

2. See Nathan et al., Block Grants for Community Development, chapter 10; Dommel et al., Decentralizing Community Development, chapter 4.

third-year application. On taking office the mayor adopted a reorganization plan to coordinate all development activities under a single department. The reorganization reflected several problems that had emerged. Under the previous administration the model cities director had been fired and not replaced. Also, the associate reported that there had been inadequate coordination between the several departments sharing responsibilities for some CDBG projects. For example, certain park maintenance and improvement projects were the responsibility of the Public Works Department, while the construction of tennis courts and pools was the responsibility of the Department of Recreation. Under the reorganization such projects are now centrally planned and administered by the new Department of Planning and Community Development (PCD). The new administration also encouraged more communication and coordination between the departments. Although the mayor still plays an important role, there is more initiative located in the PCD department and its commissioner, not only with regard to CDBG activities but also in locating funding sources for other city programs.

The Mount Vernon and East Lansing capsules suggest that the entrance of a new chief executive may be a good time for executive reorganization of CDBG-related functions in local government. A new chief executive may find reorganization easier than would an incumbent with outstanding commitments to existing staff and departmental structures. If that is the case, we may see a continued increase in the number of jurisdictions in which CDBG functions are centralized as a departmental unit rather than within the immediate offices of the chief executive.

In short, the local executive branch continues to dominate the CDBG decision process, but line departments increasing their influence as specialist agencies frequently disappear or become incorporated into the permanent local structure. Staff members to the chief executive still play the most influential executive role, but chief executives remain important actors who involve themselves in strategic or sensitive points of the process. It seems probable that the role of executive actors will be even more institutionalized in the future as the program continues to age and technical expertise becomes more important in day-to-day program operation.

Legislative Roles and Influence

In addition to executive officials, local legislative actors were also expected to play a role in the CDBG program.

Their formal role is to authorize the participation of the jurisdiction in the program and to approve applications before they are submitted to HUD. Apart from these actions, legislative bodies in most jurisdictions have played relatively minor roles in determining program content. As our discussion of leading actors in chapter 3 showed, legislators were important actors in only about one-fourth of the sample jurisdictions (table 3-2). Overall, they were far less significant than executive actors, and their influence did not increase.

In the first two Brookings reports we discussed several factors that contributed to the relatively minor role of local legislative actors. The most important factor is the nature of legislative bodies in most of the jurisdictions. Most local legislators are part-time officials whose lack of time, information, and staff greatly restrict their capacity to determine CDBG program content. Legislatures were generally involved with CDBG only sporadically and were often placed in a position of reacting to a program already framed by other actors, usually executive participants who were sometimes joined by citizen actors.

Decreasing Legislative Influence

In the fourth year, the relative influence of legislators decreased in a net of nine jurisdictions. This is in contrast to the second and third years, when legislative actors experienced more or an equal number of gains than losses in relative influence. In the second year, many gains were attributable to increased time available for preparation of applications, which enabled legislators to have a greater impact on program formulation. By the third year, there was no net change, and the increase in legislative influence lost momentum. Distribution of influence then started to shift away from the legislators (table 4-4). By the fourth year, HUD's influence had become more pronounced and, in relative terms, the influence of legislative actors diminished. In the 15 jurisdictions where the relative influence of legislative actors declined in the fourth year, 13 had an increase in the relative influence of HUD.

As discussed in previous Brookings reports, a major form of legislative participation in the first 2 years was the spreading of benefits, sometimes to upper income residents. The new targeting regulations reduced the scope of spreading acceptable to HUD. The targeting policies and the more complex regulations cut into the legislative role, forcing the legislators to defer to the technical expertise of the local executive to determine what would be acceptable to HUD.

Several executives took advantage of the new arrangement to get program concessions from the legislatures that had not been possible previously. The following capsules illustrate the legislative-HUD linkage in the third and fourth years.

Capsule 4-6. Phoenix

In the third year, the HUD area office took a more assertive role, which blocked the tendency of the city council to distribute benefits to areas of Phoenix that were not eligible on the basis of low- or moderate-income criteria. The dollar shift (\$400,000) of the HUD intervention appears small, yet the symbolic act of disallowing certain activities and questioning several others suggested an increased HUD influence. The legislature was blocked not only in the case of a few activities but also was effectively challenged on its approach for spreading benefits.

Capsule 4-7. Scottsdale, Ariz.

During the first 2 years, the legislature made important decisions that ran counter to staff wishes. The city council questioned the staff carefully on the implications of the HAP activity and HUD monitoring activities that appeared to be pushing for low-income housing, a very sensitive issue in affluent Scottsdale. During the past 2 years, HUD has led the council into a more targeted program of neighborhood planning and preservation. The council has given up the lead in shaping program content to HUD and staff.

An additional factor contributing to the decline of legislative actors was the natural aging of the program. During the first 2 years of CDBG, several legislatures were involved as junior partners with local executives in determining what CDBG should do in their jurisdictions. By the second or third year, this framework had been set in place in many jurisdictions, and interest shifted to problems of program implementation and making minor adjustments for overlooked or new interests. Thus, the program became institutionalized and legislative actors generally intervened less frequently. Auburn, Maine, illustrates this point.

Table 4-4. Influence Rank of Legislative Actors

Period	Increases	Decreases	Net change	Total jurisdictions
Year 1 to year 2	17	11	+6	61
Year 2 to year 3	14	14	0	61
Year 3 to year 4	6	15	-9	60 ^a

Source: Field research data.

a. Pulaski County, Ill., was not in the CDBG program in the fourth year.

Capsule 4-8. Auburn, Maine

The role of the city council changed in the third and fourth years. In the first 2 years, the council helped to set the basic strategy of completing a major urban renewal project and undertaking projects in the downtown area. Once the general strategy had been set, the council became more of a watchdog, monitoring the progress of the program. As one council member said, "Once the wheels were in motion, we didn't have as much involvement."

Maintaining Legislative Influence

In six jurisdictions, legislative actors have played a consistently important role in CDBG; they generally have done so through close linkages with other actors. In four of the six cases, linkages existed between the legislature and citizens; in one case, the linkage was with the executive. In five of the six cases, weak-executive forms of government existed in which there was no elected executive or one whose scope of influence was narrow, or where an unelected official, usually a city manager, administered programs. However, a weak-executive system did not necessarily assure an important legislative role. Presumably the vacuum of elected executive leadership gave legislative actors more latitude to develop

their influence. The following capsules illustrate these relationships between the legislators, citizens, and executives.

Capsule 4-9. Los Angeles

Los Angeles has a weak-mayor system and a 15-member council elected by district. The council members are interested in seeing that their own districts receive their share of funding, and each member has a great deal of latitude in determining how funding will be distributed within the district.

Over the 4 years, the council and citizen groups have become more closely linked. Since the first year, all members of the citizen advisory body have been appointed by council members on a district basis. In the last 3 years, increased council awareness of citizen participation potential has mutually reinforced both legislative and citizen influence. The influence of citizen actors is reflected in the high number of citizen-supported proposals that became a part of the grant. For example, council-citizen coalitions influenced HUD to approve "software" programs it was not otherwise prepared to accept.

Capsule 4-10. Santa Clara, Calif.

The city council is formally responsible for determining priorities in city programs. The city manager's office is responsible for the execution of programs and for offering technical advice. Within this context, the council has encouraged strong citizen participation. The citizen advisory body, in conjunction with the community development coordinator, prepares the grant application for review by the council. The council then reviews the application in public session and passes on each project separately. Through this structural arrangement the citizen group and the council have joined forces to move the program away from the city manager's preference for capital improvements toward citizen desires for housing rehabilitation.

Capsule 4-11. Denver

A strong executive form of government exists, but the legislators have been able to maintain an equal or greater

influence than executive participants. This has been achieved primarily through legislative appointments to the citizen advisory board, the Mayor's Advisory Committee. The committee reflects the views of the individual members of the council. Because of this arrangement, the council, which has major influence, rarely has to exercise it because citizen participation organization reflects the council's position on CDBG.

In a few cases, other factors affected the legislative role, generally toward greater influence. The legislative role in some jurisdictions grew because legislators thought that the CDBG program had been grossly mismanaged by the local executive. These were generally jurisdictions which had very slow rates of implementation or divisions among political groups. In some jurisdictions, local elections either expanded or diminished the role of legislators because of the inexperience or new political orientation of those elected; in such cases, the altered legislative role was likely to be short-lived.

In summary, two changes occurred that further limited an already modest legislative role. New Federal regulations and closer monitoring by HUD limited the options available to legislative actors, especially in the distribution of benefits. In addition, most jurisdictions had already established program priorities by the second or third year, and there was little left for legislatures to do except monitor execution and serve as the last point of appeal for those unable to get funding in earlier stages of program formulation. The trends in the third and fourth years indicate a continued modest role for legislatures that could decrease further in the future. There may be exceptions to this pattern in jurisdictions where legislative actors form coalitions with other actors, especially citizens, or in areas that have a weak-executive form of government.

Citizen Roles and Influence

In shifting program decisionmaking from specialist agencies and Federal administrators to local elected officials, the block grant legislation also intended to encourage broad public and citizen participation in CDBG decisionmaking. As discussed in chapter 2, the 1974 legislation prescribed no specific structure of local citizen participation, giving wide latitude to local officials to determine the citizen role. The field data and discussion below show an expansion of the citizen role in the third and fourth years, which contributed to a more open or pluralistic process.

The term "citizen" is used here to include "publics" or constituents-at-large that may play a nonofficial role in the CDBG program. Citizens may include a variety of participants--individuals acting as individuals; residents of particular areas or neighborhoods; or representatives of particular age (teenagers or senior citizens), racial, or ethnic groups. Citizens may also be persons officially representing organized interests--neighborhood associations, chambers of commerce, legal aid organizations, business associations, and local chapters of national organizations such as the League of Women Voters or the Urban League. In short, the term "citizen" covers a wide range of interests--both public and private--that may press for certain priorities and programs under the block grant.

In that sense, despite the similarity of terms, "citizen participation" under the block grant program is far broader and more diffuse than it was under the categorical programs. Under geographically targeted model cities and urban renewal programs, participation had come to be largely area- or neighborhood-oriented; residents and neighborhood business owners, for example, participated in making program decisions affecting their areas. By contrast, the communitywide character of CDBG allows for a broader variety of interests to influence local program priorities in an advisory capacity. Who the key citizen participants are, how they are involved in the CDBG process, what interests they reflect, and what influence they have are central questions in understanding citizen involvement under the block grant program.

Citizen Influence--Trends Over Time

Table 3-2 confirms that citizen influence grew during the first 4 years of the CDBG program. In the first year, citizens were a significant influence in decisionmaking in 18 jurisdictions; during the fourth year, this number grew to 27. As used previously, "leading actor" is defined in terms of influence points assigned by a field associate--first, tied for first, or second and untied in influence over program content. Although executives dominated the program, most field associates considered citizens to be more influential actors than either local legislators or HUD administrators. The findings suggest that the decentralized process of the block grant favored more active involvement of citizen participants as the program progressed.

What accounts for this increasing citizen influence? In the report on the second program year, we found an upswing in citizen participation between the first and second years. We noted that this increase could be largely accounted for by

the more orderly pace of the second-year decisionmaking cycle. But the continuing gains in citizen influence during the third and fourth years suggest that other factors are behind strong citizen influences. Some of these factors are explained below.

Program Experience, Neighborhood Targeting, and Citizen Influences. Two factors appear to be the reason for the increase in citizen influence in the third and fourth years. First, citizens had gained more knowledge and greater sophistication about the CDBG process. Second, neighborhood targeting strategies provided access points for new or sometimes previously inactive groups to exercise leverage. Such targeting encouraged participation at the neighborhood level in a way that may have been precluded at the communitywide level.

The linkage between program experience, neighborhood targeting, and increased citizen influence is illustrated in the following capsules.

Capsule 4-12. Philadelphia

The associate reported: "Increased citizen influence in Philadelphia was the result of the entry of some very vociferous groups into what was already a crowded and active constellation of citizen groups that had been involved in the CDBG program from the beginning. By combining knowledgeable monitoring of program development with noisy political posturing, the new entrants were able to focus the attention of the entire constellation of groups on the details of CDBG policy. While it cannot be said that these groups dominate the decisionmaking process, they are a force to which the other actors in the network, particularly the executive administrators, pay considerable attention."

Capsule 4-13. Denver

Citizen influence in Denver's CDBG process has tended to increase over time as the Mayor's Advisory Committee (MAC)--the city's citizen participation mechanism--gained experience with the program. The preparation of the first-year application was rushed and the citizen participation process somewhat disorganized and erratic. By the second year, MAC played a more direct policymaking role, relying less on staff to set priorities, and generating their own information; program decisions were made in close liaison between staff and MAC. By

the third year, the structure and process for citizen participation was well established and accepted both politically and administratively. Moreover, citizen influence increased in the third and fourth years as a result of a decision to allocate funds only in areas and neighborhoods that did not receive allocations during the first 2 years; citizen activity increased in these new areas.

Capsule 4-14. East Lansing, Mich.

The increase in citizen influence since the second year was related to two factors. Along with executive reorganization of the city's planning and development functions, a new city commission--the Housing and Community Development Commission--was created to afford greater citizen participation than had occurred in earlier years when the program was under the Planning Commission. Members of the new commission were appointed by city council based on applications submitted by interested individuals. The commission was expected to go beyond decisions concerning the annual application to include issues related to program implementation and evaluation. In addition, neighborhood-based groups became involved and had greater impact on CDBG decisions as the program progressed. Existing neighborhood organizations stepped up their efforts as a result of their growing awareness of potential housing rehabilitation and neighborhood improvement benefits and the increased emphasis on targeting activities in particular areas. In the third program year, a downtown residents' group was formed, consisting largely of elderly residents and students. In response to the success of other neighborhood associations, these residents felt it was necessary to be organized in order to compete effectively for CDBG funds.

Capsule 4-15. San Jose, Calif.

The increase in citizen activity and influence in the fourth year was a result of growing community awareness of CDBG and of opportunities for new programs to be included in the application. In particular, the early housing rehabilitation programs generated neighborhood interest, and there was pressure from neighborhood groups to enlarge the designated target areas. As importantly, the first 3 years were essentially a continuation of plans made the first year, giving primary emphasis to downtown redevelopment through completion of urban renewal efforts. However, the fourth year was viewed as a new program planning year that would cover

CDBG activities through the sixth year. Although the city remains committed to downtown projects, neighborhood groups asserted themselves through the neighborhood-oriented CDBG Steering Committee. The committee became more sophisticated in determining what constituted an "eligible" activity, and the neighborhoods succeeded in gaining CDBG funding for several community service projects. But the major influence of the committee was to help designate target areas and to apply pressure for housing rehabilitation activities in those areas.

Capsule 4-16. Florence, S.C.

The difference in the fourth year was that citizen participation became more focused, probably as a result of the HUD targeting strategy. In the first 3 years, citizen participation was loose and uncoordinated. Fourth-year CDBG plans converged on the West Florence area, where a neighborhood-based citizen group--the West Florence Concerned Citizens--had been evolving for some time. Its members constituted the nucleus of the CDBG citizens advisory group prior to the fourth year, and subsequently the city council resolved to designate the West Florence group as the official organ of citizen participation under CDBG.

Other Cases of Expanded Citizen Influence. In two other jurisdictions where citizen participation had been influential early in the CDBG program, citizen involvement became stronger as participation mechanisms helped consolidate local coalitions toward particular program objectives. In Huntington Beach, Calif., executive staff members strengthened their position with the council by aligning themselves with the citizens advisory committee. In Mount Vernon, N.Y., the mayor was able to neutralize anticipated council opposition by delegating broader latitudes to citizens in CDBG decisions. Capsules on these cities are presented below.

Capsule 4-17. Huntington Beach, Calif.

A coalition of citizens and community development staff evolved during the third-year CDBG process. The new HUD regulations emphasizing citizen input forced the staff to work more closely with citizen groups to facilitate communication on public demands for programs and projects. For the

staff, the institutionalization of the Citizens Advisory Committee (CAC) had the advantage of providing some grass-roots leverage in getting project proposals through the city council. The function of the CAC since its creation in the second year was "to be available to residents in the targeted neighborhoods," not to mobilize broader citizen involvement. Appointed members consisted largely of middle-class activists, some senior citizens, and representatives of the various city departments. The CAC became a significant actor in CDBG decisionmaking through its power to make recommendations and review CDBG allocations; the staff finally delegated some of their powers to the committee.

Capsule 4-18. Mount Vernon, N.Y.

In the 4 years of CDBG, Mt. Vernon has had three different mayors and two changes in administration. The current mayor made CDBG a campaign issue, charging his opponent's administration with poor planning and slow implementation. When he took office, third-year plans had already been formulated and he faced a city council, led by his opponent in the election, that could potentially block his efforts to make changes. As a result, the new mayor turned to the existing CAC, rejuvenated it with additional appointments, and gave it serious responsibilities in deciding on program allocations. With the support of the mayor's new Planning and Development Commissioner, the CAC increased its meetings and obtained wider publicity in the local media. In brief, the mayor cultivated the sense that the CAC--rather than the city council--was the legitimate body to consider the CDBG budget. The city council did not oppose the CAC decisions because, according to the associate, it was concerned about stirring up those community groups who already had a stake in the process. As a result, citizen influence increased substantially in the fourth-year decision process. Various groups that had obtained program funding the year before--NAACP, Urban League, YMCA, the public housing tenants association, an Italian and a West Indian civic and cultural association--succeeded in getting renewed funding. In addition, the NAACP's complaints to HUD resulted in greater local emphasis on housing and targeting strategies. One neighborhood group in the southwest successfully argued for designation as a target area. A number of residents from the northeast were able to secure funding of street and sidewalk improvements without the advantages of organized pressure by registering their concerns with the mayor, the Planning and Community Development Department, and the CAC.

In two other instances of significant gains in citizen influence since the second year, the citizens involved were identified neither with residential neighborhoods nor with existing citizen participation mechanisms. Both instances occurred in Maine and were examples of rising influence on the part of local business interests in downtown redevelopment. The increasing emphasis on economic development activities contained in the 1977 legislation and in the accompanying Urban Development Action Grant (UDAG) legislation appear to have boosted downtown redevelopment strategies. Both jurisdictions also had relatively low levels of neighborhood organization and involvement; this may have contributed to the more supportive climate for economic development activities.

Capsule 4-19. Auburn, Maine

Through the 4 years of the CDBG program, neither the appointed Citizens Advisory Committee nor the city's neighborhoods were active in the decisionmaking process. The CAC had only a modest role; its main function was to comment on staff-prepared plans and help gain community support for the program. Neighborhood groups did not play an important role in the program, even in areas selected for housing rehabilitation. But citizen influence increased in the fourth year with the formation of a Downtown Advisory Committee at the city manager's initiative. The committee consisted of local business leaders interested in downtown revitalization; it helped prepare a redevelopment program to attract new business to the area and make better use of existing commercial properties. Although its work was ultimately funneled through the CAC, which continued to function, the downtown group became the most notable unit of public involvement in CDBG planning.

Capsule 4-20. Bangor, Maine

The increase in citizen influence between the third and fourth years was accounted for by the accelerating involvement of the downtown business community in CDBG decision-making. The local chamber of commerce, which is dominated by these interests, created a committee on downtown revitalization and the city manager was persuaded to appoint the city's director of community development to sit on the committee. With the aid of an outside consultant, the committee formulated a downtown revitalization program to be partially funded under CDBG. The Citizens Advisory Committee, a

communitywide appointed body heavily weighted with business interests, gave its support to the downtown program and backed up the staff opposition to the inclusion of social service expenditures in the fourth-year CDBG budget. The city council shared a similar orientation to the downtown revitalization effort, and there was no difficulty in gaining approval for partial funding under CDBG. The city hoped to fund a major portion of the downtown proposal under UDAG.

In summary, the data suggest several factors accounted for the increasing influence of citizens as leading actors in local CDBG decisionmaking. First, citizens gained increased experience and knowledge about local CDBG processes. Second, citizen participation procedures and mechanisms became institutionalized over time. Third, the increased emphasis on targeting in some cases resulted in the emergence of new special interest groups with a development agenda that had special appeal to local powers. In the next section, we discuss how citizens exercised influence.

Forms of Citizen Access

One major purpose of the 1974 act was to decentralize decisionmaking and allow greater flexibility at the local level than had been possible under the categorical programs. This increased flexibility also extended to local options for formal public participation. Under the urban renewal and model cities grants, there were fairly detailed Federal guidelines for the structure for local public participation. Federal regulations for the CDBG program were procedural rather than structural: First, localities had to formulate procedures to allow for citizen advisory input at several stages--in determining local needs and priorities, in the preparation of the CDBG application, and in review of CDBG plans and activities. Second, each jurisdiction had to hold two formal public hearings on CDBG proposals prior to submitting applications to HUD.

Previous Brookings reports confirmed that most jurisdictions carried out these procedures conscientiously in preparing their first- and second-year applications. Associates reported few major changes in these processes since the second year. As a result, the major emphasis in this section is on the forms of citizen access and their influence on CDBG decisionmaking rather than on procedural issues.

Over the 4 years of the CDBG program, citizen involvement has taken several forms:

1. Advisory committees. The local government delegates these bodies to act as the official organ and medium of citizen advice concerning CDBG plans and decisions. They may be existing structures of local governments, such as planning commissions or standing community/neighborhood planning boards, or they may be new groups whose members are appointed or elected.
2. Neighborhood-based groups. These organized groups represent the interests of a particular neighborhood or area. They may be formally organized resident associations or other neighborhood interests (e.g., merchants), or they may be loosely organized groups of residents attempting to mobilize and articulate the interests of their neighborhoods.
3. Special or public interest groups. These groups represent a specific or broad public interest apart from those related to a given neighborhood. They may be formally organized groups, such as the League of Women Voters, the local chapter of Common Cause, or the United Way. They may be formal or quasi-formal groups representing the interests of particular sectors or subpopulations, such as senior citizens, minority residents, or handicapped persons. They may represent specific professional or business interests, such as local providers of social services, nonprofit housing organizations, historical preservation societies, or coalitions of downtown business interests.

Citizen influence was almost always exercised through these three forms, although there were a few cases in which unorganized individuals made their demands known, often through the meeting and hearing processes. Table 4-5 shows the number of jurisdictions in which different types of citizen groups were active in the local CDBG process. The table indicates that more than one form of access was used in most jurisdictions. Neighborhood-based groups were slightly more prevalent than other groups.

Dominant Forms of Citizen Access. The relative strength of citizen groups varied from jurisdiction to jurisdiction. To gauge the importance of each form of access, we counted the number of jurisdictions in which each form was the most influential over program content.

In a large majority of jurisdictions, the dominant form of access was either the locally designated advisory group or neighborhood-based group, with the former slightly more numerous since the second year (table 4-6).

Table 4-5. Forms of Citizen Access, by Jurisdiction, Years 1 through 4

Form	Year 1	Year 2	Year 3	Year 4
Advisory structures	37	44	44	46
Neighborhood-based groups	46	48	48	50
Special/public interest groups	44	45	43	45
Total jurisdictions	61	61	61	60 ^a

Source: Field research data.

Note: Figures do not total number of jurisdictions because of overlap among types of citizen participation. For example, a jurisdiction may have both advisory structures and neighborhood-based organizations.

a. Pulaski County, Ill., was not included in fourth year of CDBG.

Table 4-6. Dominant Forms of Citizen Access, by Jurisdiction, Years 1 through 4

Form	Year 1	Year 2	Year 3	Year 4
Advisory structures	24	26	27	27
Neighborhood-based groups	24	24	23	25
Special/public interest groups	13	11	12	11
Total jurisdictions	61	61	61	60 ^a

Source: Field research data.

Note: Column totals exceed the number of sample jurisdictions because of ties in influence point allocations.

a. Pulaski County, Ill., was not funded in fourth year of CDBG.

Although they were active in many jurisdictions, interest groups played a less frequent role. Moreover, since many of the advisory structures also served as channels of some form of neighborhood representation, citizen access points tended to overlap in several jurisdictions. Thus, table 4-6 may understate the relative importance of neighborhood-based groups as a dominant form of citizen involvement. For example, in St. Louis, because of its structured role of reviewing and rating citizen-submitted proposals, the Citizen's Advisory Committee exerted the greatest citizen influence on the content of the CDBG program. However, because many of its members were active in neighborhood groups, it was difficult to separate the influence of such organizations from the formal structure.

Advisory Structures

Many jurisdictions did not have advisory structures, as we noted in earlier reports. Their growth in numbers since the first year is a result of the hurried quality of the first-year application process, when there was less time to establish such structures. Nevertheless, despite the increased attention given to citizen participation in the 1977 renewal legislation, there was no substantial increase in the number of advisory structures beyond those that had emerged by the second year. In the fourth year, about one fourth of the jurisdictions had no formal advisory structure for citizen involvement; urban counties lacked such a structure most frequently (table 4-7). As noted in our earlier studies, the two-tiered structure of decisionmaking for CDBG in many urban counties, particularly those relying on pass-through arrangements with cooperating municipalities, seems to account for infrequent use of advisory structures at the county level. In urban counties, participating municipalities devised their own procedures for citizen involvement, with the county playing a monitoring role in overseeing local participation efforts. As a result, there is less use of citizen advisory structures at the recipient county level. With the exception of the urban counties, the use of advisory structures was fairly widespread by the fourth year.

Characteristics of Advisory Structures. When considering the use of a formal advisory group, most jurisdictions usually created a new advisory body rather than use existing mechanisms. During the first year these mechanisms were sometimes temporary task forces that were subsequently replaced by formal advisory structures. As reported in the second-year study, these were largely appointive bodies--local elected officials selected members from the community-at-large. By the fourth year, appointive mechanisms were

still the dominant form. In only 1 (Houston) of the 39 jurisdictions with advisory structures were all members of the advisory commission elected; 9 other advisory structures had both appointed and elected members. All elections were conducted at a neighborhood or target-area level. In over half of the structures, the appointments were on a communitywide basis without specific attempts to represent neighborhoods or areas. The remaining appointive groups usually consisted of a mix of persons, some representing specific areas or neighborhoods and others representing communitywide interests. Carbondale, Ill., provides an example of the kind of "ticket balancing" concerns that are inherent in the appointive process.

Capsule 4-21. Carbondale, Ill.

At the start of CDBG, the mayor and the council decided to organize a Community Development Steering Committee as the citizen participation vehicle for the program. The mayor asked several groups for nominations, including the existing model cities commission, the Northeast Congress (a strong neighborhood organization in the predominantly black model cities area), the Chamber of Commerce, and the student government organization of Southern Illinois University. The 100 recommended names were located by the mayor on a map according to where they lived, and they were coded according to other demographic characteristics. Out of this group, 20 people were selected, comprising a heterogeneous group by race, sex, and age. Thirty-five percent were black and 50 percent were female. There were two businessmen, one union employee, two ministers, two blue-collar workers, two clerical workers, two professors, one doctor, two retired persons, two housewives, and one unemployed person. After students demanded half of the seats, the mayor agreed to add seven to the committee from names they submitted. Members were from all parts of the city, but the Northeast and the Northwest--the two major target areas for CDBG--predominated in geographical representation. For all this attempt at "ticket-balancing," however, the final group tended to be predominantly middle-class in composition and probably in outlook.

Although most advisory structures were created specifically to represent citizen or public interests in the CDBG program, in some jurisdictions these advisory functions were delegated to existing structures. During the first year, advisory bodies were newly created in about half (29) of the 61 jurisdictions. In four jurisdictions, local planning commissions were delegated to carry out citizen advisory functions. In four other jurisdictions, these functions were

assigned to existing citizen advisory bodies, such as community planning boards and project area committees left from the urban renewal program. Where existing mechanisms were used, they tended to remain throughout the first 4 years of the program. The following capsule of Allegheny County, Pa., illustrates some of the dilemmas encountered in using local planning commissions as CDBG citizen participation mechanisms.

Capsule 4-22. Allegheny County, Pa.

The question of the appropriate citizen advisory structure had been an issue of contention between the director of CDBG planning--formerly director of the county's model cities program--and the county planning commission at the start of CDBG. The director wanted to create a new, broad-based advisory body representative of the county's residential communities, but the planning commission preferred to reserve that function for itself. The eight-member commission represented only a narrow segment of the county's population. It was dominated by an elite group of influential public agency representatives and civic leaders, including the head of a large industrial development concern, the director of the county housing authority, and a former head of Pittsburgh's redevelopment authority; the only minority member was the director of a large multiservice community agency in Pittsburgh. The planning commission, however, took the view that it possessed the legally constituted statutory responsibility to act in an advisory capacity on all planning activities; it was also skeptical about the ability of a broad-based citizen organization drawn from diverse communities to reach agreement on priorities. The issue was decided in a commission resolution to the county board. The CDBG director acquiesced, not wanting to prolong the issue, and the recommendation was approved by the board.

Citizen advisory bodies that had existed under the categorical programs--project area committees and model cities groups--were seldom dissolved, but, at the same time they were seldom delegated official advisory functions under CDBG. Generally, their continuation depended on what happened to the activities of the categorical program under the block grant. The general rule was to diminish their importance simply by including these organizations as one of many citizen groups competing for a portion of CDBG funding. New York City was one of the few instances in which existing citizen advisory structures--the city's community planning boards--ultimately achieved a recognized role under CDBG. This occurred in the third year of the program.

Table 4-7. Advisory Structures, by Type of Jurisdiction,
Year 4

Type of jurisdiction	N	Number of jurisdictions with advisory group in the fourth year
Central cities	30	23
Satellite cities	12	10
Urban counties	10	5
Nonmetropolitan	8	8
Total jurisdictions	60 ^a	46

Source: Field research data.

a. Pulaski County, Ill., was not included in the fourth-year CDBG program.

Capsule 4-23. New York City

The Housing and Community Development Coalition, an association of neighborhood groups from the city's lower income areas, was a persistent thorn in the side of the city during the first 2 years of the CDBG program. With the election of the new mayor, there were attempts to reconcile the role of existing neighborhood groups in the CDBG process. The coalition met regularly with the city concerning the new citizen participation plan to be drafted. After the third program year, the city implemented a new participation procedure that reflected the expanded influence of the 59 community planning boards as set down in a revised city charter. Community boards became a formal mechanism for evaluating CDBG plans. Operating agencies must submit project proposals to the appropriate community boards, which hold public hearings on proposed projects within their districts. The boards then submit their recommendations, listed by priority, directly to departmental and elected officials responsible for the final decisions.

Overall, we found that citizen advisory structures are different from those of the categorical programs, particularly in their broader representation of interests. The dominant trend in the first 4 years has been toward greater representation of communitywide interests on the formal advisory mechanism and less direct representation of neighborhood groups, although neighborhood interests are often expressed through the formal advisory group. Neighborhood-based groups are examined in the next section.

Although we were unable to quantitatively assess changes in the roles of advisory structures, the associates' comments suggest that over the 4 years advisory structures have taken on more duties and regularized functions. This further suggests that citizen participation mechanisms have become an institutionalized part of the local decision process. We will examine this process institutionalization more closely in the final monitoring report.

Neighborhood-Based Groups

As shown in table 4-5, neighborhood-based groups were present in local CDBG processes in most sample jurisdictions; in many they were the dominant channel of citizen access to decisionmaking (table 4-6). Because of the diverse origins of neighborhood-based groups involved in CDBG, they are difficult to describe in any consistent fashion.

In brief, neighborhood-based groups present in CDBG included established neighborhood associations that had long performed civic and community functions without reference to particular Federal programs. They also included organizations that had been established to participate in federally funded programs, such as community action committees (anti-poverty program), urban renewal project committees, and resident commissions associated with model cities. In some cities, such as New York City and Atlanta, they included community boards and neighborhood planning units that had been set up by local governments to carry out a wide range of advisory and planning functions. Some were newly formed resident groups, both formally and informally organized, that emerged because of the CDBG program to demand program benefits for their neighborhoods. In some cases, the recent HUD focus on neighborhood and social targeting accelerated the formation of such groups, as earlier capsules described. In a few instances, such as New York City and Los Angeles, new coalitions of neighborhood-based organizations mobilized neighborhood constituencies.

In general, if the jurisdiction was large and had experience with prior Federal community development programs, there was a greater likelihood that a complex constellation of neighborhood groups were participating in the local CDBG process. St. Louis and Los Angeles are good examples of this complexity.

Capsule 4-24. St. Louis

Neighborhood groups are a significant factor in the city's CDBG decisionmaking. Local records currently list more than 150 such organizations. Some were formed during the categorical period, others since the inception of CDBG. These groups vary considerably in size, membership characteristics, cohesiveness, technical know-how, and available resources. Neighborhood organizations have dominated recent CDBG-related meetings and hearings, and these groups have exerted influence on members of the Citizens Advisory Committee and individual aldermen. The more cohesive groups with considerable technical resources tend to be most influential, partly because the local application process calls for citizen submission of proposals. Consequently, organizations with clearly defined programs backed up with reasonably solid data have a great advantage.

Capsule 4-25. Los Angeles

The importance of neighborhood-based groups has increased with each year of CDBG. The Watts groups, established before and during the categorical grants, are still very influential; the East Los Angeles group continues to be active. A new force in East Los Angeles is called the United Neighborhood Organization and is parish-based. Major neighborhood groups are new, particularly the citizen committees that have been established in each of the areas targeted for revitalization. Although the city keeps abreast of HUD regulations, none of these changes has come about because of HUD or other outside pressures; they have evolved on their own over the 4 years.

Despite the widespread presence of neighborhood groups, they were not always important points of citizen access in program decisionmaking. When Brookings associates were asked how important neighborhood groups were as an access point to CDBG decisionmaking, they responded positively in only 35 of the 61 sample jurisdictions (table 4-8). Neighborhood groups were most frequently found to be important access points in

central cities. This may be explained partly by the greater diversity of ethnic populations in central cities and the tendency of citizens in some of the older large cities to identify with particular neighborhoods. The population diversity and neighborhood orientation are found less frequently in suburban communities and in some of the newer central cities.

Citizen Influence

The prominence of advisory structures and neighborhood-based groups as access points for citizen participation needs to be related to the question of whether this access translated into citizen influence on program decisions; that is, were these groups listened to? In this section, we examine the importance of these two major forms of citizen access and the extent to which they jointly or independently are associated with citizen influence on decision outcomes.

Table 4-9 relates the degree of citizen influence in the fourth year to the importance of the role of neighborhood groups in the CDBG process and to the presence or absence of local advisory structures. Citizen influence is high when citizens are leading actors, as defined in table 3-2. Citizen influence is low when citizens do not attain leading actor status.

Table 4-8. Neighborhood Groups as Important Access Points in CDBG Decisionmaking, by Type of Jurisdiction, Years 3 and 4.

Type of jurisdiction	Total juris- dictions	Number of jurisdictions in which neighborhood groups were important factors in decisionmaking
Central cities	30	21
Satellite cities	12	6
Urban counties	10	5
Nonmetropolitan	9	3
Total jurisdictions	61 ^a	35

Source: Field research data.

a. Pulaski County, Ill., was not included in the fourth year of CDBG.

Table 4-9. Relationship Between Citizen Influence, Advisory Structures, and Neighborhood-Based Groups, Year 4

Level of citizen influence	Neighborhood groups as access points				Total juris- dictions
	Important		Not Important		
	Advisory structure exists	Advisory structure absent	Advisory structure exists	Advisory structure absent	
High	18	3	5	1	27
Low	12	2	11	7	32
Total	30	5	16	8	59 ^a

Source: Field research data.

a. Excludes Chicago and Pulaski County, Ill. Chicago had not completed its fourth-year application at the time of field monitoring. Pulaski County did not receive funds in the fourth year.

As shown in table 4-9, of the 27 jurisdictions with high citizen influence, the greatest frequency (18 jurisdictions) of high influence occurred where neighborhood groups were important points of access to the decision process and where an advisory body existed. However, in 12 jurisdictions the two structural conditions existed but citizen influence was low. At the other extreme, where neighborhood groups were not important and no advisory structure existed, there was only one case of high citizen influence.

One implication of these findings is that in jurisdictions where neighborhood groups are weak, citizens are likely to have more difficulty influencing CDBG decisionmaking. Where an advisory structure existed but where neighborhood groups were unimportant, citizen influence was low in 11 jurisdictions and high in only 5. Although recent HUD regulations requiring neighborhood-level involvement at meetings and hearings may help strengthen resident involvement, it is unclear what they are likely to accomplish in weak-neighborhood jurisdictions. Some of the early effects of the current regulations are described in the next section.

Effects of the 1977 CDBG Amendments on Citizen Participation

The 1977 legislation requires each jurisdiction to write a plan to involve citizens in an advisory role in all phases of the CDBG program. Later HUD regulations required local programs to meet these requirements by August 1978. The regulations did not require formal citizen advisory committees or other prescribed forms or structures, but they emphasized an open process through which citizens could play an advisory role, especially citizens who would be directly affected by CDBG through social or geographic targeting.

In the field research conducted in the summer of 1978, associates reported that slightly more than one-third of the jurisdictions had neither made nor projected any changes in their citizen participation procedures for the fourth and fifth years. Local government officials in almost all of these jurisdictions believed their existing participation mechanisms met or exceeded the new requirements.

In two thirds of the sample jurisdictions, some changes occurred in the fourth year or were expected to occur in the fifth year. In half these jurisdictions, the most frequent change was an increase in the number of public hearings; but associates doubted that this change would strengthen citizen participation. In three of these jurisdictions a new citizen participation structure was to be formed, and in three others citizens were to be involved in performance monitoring for the first time. Associates for these six jurisdictions said that these changes merely formalized what had already existed or introduced formal procedures that would be manipulated by more dominant actors in the community.

In half of the jurisdictions undergoing change in citizen participation procedures, associates believed the changes would strengthen citizen participation. These changes generally involved one of the following: (1) the creation of new advisory structures, (2) an increase in the number of public hearings, or (3) the expansion of existing structures to include representatives from new groups, usually from low- and moderate-income areas, but in two cases from the business community. About half these changes had already taken place by the fourth year; in some cases, the changes occurred because the communities were anticipating the direction of the 1978 regulations on the basis of the regulations first proposed in the fall of 1977.

A jurisdictional breakdown of the data shows a disproportionately high number of urban counties undergoing changes to strengthen citizen involvement in CDBG. Half of the 10 urban counties in the sample fell into this category. They

changed or planned to change their processes by creating advisory committees, modifying the composition of existing ones, or increasing the amount of written information on the CDBG program provided to citizens. In almost every instance these counties were responding to HUD pressures for a county-wide strategy in which the recipient counties are directly accountable to HUD for allocations. These process and program policies may reinforce each other and give a greater neighborhood character to the CDBG program in some jurisdictions.

Process-Outcome Linkages

Examination of the complexities and dynamics of the local decision process leads to the question: What effect does the decision process have on program outcomes?

In the second monitoring report we concluded that "the range of problems and the level of distress are major determinants of a community's basic program approach, but...the decisionmaking process is an important factor affecting the particular project choices made within that approach."³ To illustrate, we stated that a city with severe problems of poverty, old housing, and aging physical facilities is likely to choose a mixed program in order to direct some funds to each of the problems. "However, the decision to allocate funds to specific social services, facilities for the elderly, housing rehabilitation, street maintenance, or some other program is often determined by the interaction between the persons and groups participating in the decision-making process."⁴

That conclusion remains valid. However, as the program progresses, the effects of the decisionmaking process may become less as the major parts of a community's program stays the same from one year to the next. If institutionalization of a basic program becomes the chief characteristic of a community's development plan, participants may find themselves negotiating over a dwindling amount of "free" money. This point is illustrated in the following capsule on Cambridge, Mass.

3. Dommel et al., Decentralizing Community Development, p. 203.

4. Ibid.

Capsule 4-26. Cambridge, Mass.

The associate reported: "Over time, a more open process has shaped CDBG decisions in Cambridge. However, [more important in program formulation] is the fact that programs continue for historical reasons rather than as the result of any specific decisionmaking process. To illustrate, out of the \$3.43 million allocated in the fourth year, over \$2 million was, in reality, pre-allocated before the start of the process."

The following capsules illustrate the effects of external factors on program choices.

Capsule 4-27. East Lansing, Mich.

In East Lansing, the greatest impact of the decision process occurred as a result of the citizen participation, which resulted in the inclusion of "vest pocket parks" and recreation areas. However, given the guidelines of the program and the nature of East Lansing as a community (essentially middle and upper income with a large student population), the programs were ones that would have emerged from most decisionmaking processes.

Capsule 4-28. Huntington Beach, Calif.

The city department heads, city council, and citizen activists agreed on a long-range, comprehensive approach to community development that uses funds for many projects and programs. The similarity in orientation by these groups reflects the environmental characteristics of this jurisdiction. Huntington Beach is a middle- and upper-middle-class community with very few minority or low-income residents organized in any fashion. The exception is the senior citizens, who are an effective and mobilized force. It is no surprise that few programs or projects are directed toward low-income or ethnic populations.

Capsule 4-29. Scottsdale, Ariz.

The associate reported: "It is difficult to conceive of any decisionmaking process that would make significant

differences in program outcomes in this community. This is because of the relatively greater importance of determinants such as community demographics, HUD influence, general affluence and newness of the community, and other factors which appear far more important in determining the content of Scottsdale's community development program."

Although the range and severity of local problems and basic demographics primarily determine the basic program structure, local and intergovernmental decision processes also play a role in determining program content. However, it is difficult to separate the decision process from the effects of distress levels and community characteristics as an explanation for the development of program strategy.

The associates reported that the decision process influenced program outcomes in two general ways: in program mix and in the targeting of program benefits. On the question of program mix, the associates reported that most citizen groups supported social services and housing rehabilitation, while local executives supported housing rehabilitation and neighborhood conservation. The emphasis of the CDBG legislation on a hardware program rather than on social services gives the advantage to the executive actors. Local legislative impact was spread among a variety of programs with no clear preference. In the area of targeting, local executive actors tended to push for more social and geographic targeting, and citizen participants were more likely to seek a broader distribution of benefits. However, the field reports indicate that HUD policy, as well as the preferences of the various local actors, importantly influenced targeting choices.

Conclusion

Several patterns are appearing in the local decision-making process that have varying impacts among communities. There are two general trends: a "closing" and an "opening up" of the system. The first appears as bureaucratization among executive actors; the second is as an increase in the number of actors with some influence in the process, particularly citizen groups.

At the local executive branch level, the increasing role of the regular line departments of the local government and the increasing emphasis on their technical knowledge and skills have led to bureaucratization, which diminishes the influence of elected officials. The monitoring data show that local legislatures are gradually having a decreasing

influence, leaving the executive branch as the principal point of local program accountability. The chief executive, in turn, is the dominant influence in only a few jurisdictions, with executive staff members more generally representing the chief executive viewpoint. This pattern suggests less direct program responsibility and accountability by the elected political sector.

A countertrend to bureaucratization is the increasing strength of citizen participation in some jurisdictions, resulting in part from the growing experience of citizen groups with the program and the activating of new groups as the program becomes more neighborhood oriented. This "opening-up" process, largely based on citizen activism, may come into increasing tension with the "closing" process generally associated with routinization and bureaucratization of the program. At the same time, there is some evidence that local programs are becoming fairly well established, leaving less opportunity for any one participant to greatly alter the basic program. Because some of these divergent forces have only recently emerged at the local level, the outcome is still unknown; this point will be considered in the next monitoring report.

Chapter 5

PROGRAM USES

In chapter 3's discussion of HUD's increasing role in local CDBG programs, we noted that such policy activism conflicted to some degree with the CDBG objective of decentralized decisionmaking. In this chapter, we examine how local governments use CDBG funds. Has greater HUD involvement in local decisionmaking significantly affected program choices made at the local level?

To answer this question, we present data on the mix of program choices made by communities over the 4 years. We also examine how changes in the allocation system resulting from the dual formula and the first phase-down of hold-harmless entitlements affected program choices, and how CDBG-funded activities are being packaged for concentrated neighborhood revitalization.

Before examining these aspects of program use, we must define the categories of activities and the statistical measures used for analysis.

Program Categories

Projects eligible for CDBG funding include such diverse activities as acquisition of property for public purposes, rehabilitation of private homes, removal of architectural barriers, and social services. To better understand the mix of activities and the overall approach of local programs, we developed seven categories of related activities. These categories differ somewhat from those used in our report on the second program year.¹ To achieve comparability of data

1. See Dommel et al., Decentralizing Community Development, pp. 167-68. The five categories in the second report were housing and neighborhood conservation, planning and general development, urban renewal continuation, social services and facilities, and economic development. The principal change made in the categories for the third and fourth years was splitting the planning and general development and the housing and neighborhood conservation categories.

over the 4-year period, associates reexamined the CDBG applications for each year and assigned each activity to one of the following program categories:

1. Housing. Activities such as rehabilitation loans and grants, code enforcement, modernization of public housing, and programs to increase spatial deconcentration of lower income groups through expanded housing opportunities.
2. Neighborhood conservation. Activities to stabilize and/or conserve residential neighborhoods that have been undergoing decline, with a package of public improvements that might include street and sidewalk repair, storm and sanitary drains, parks, and the like.
3. General public improvements and services. General physical improvements aimed at upgrading the local infrastructure and a variety of public services, such as streets, sidewalks, drainage systems, removal of architectural barriers, parks and recreation facilities, historic preservation, and a variety of public services (rodent control, vacant land management, refuse collection, and police and security patrols). These are single activities not specifically oriented toward an economic development objective or targeted to specific residential neighborhoods as part of a multiactivity neighborhood conservation program.
4. Social services and facilities. Programs for health, education, child care, senior citizens, etc., and allocations for construction, maintenance, and rehabilitation of facilities necessary for provision of social services.
5. Economic development. Industrial and commercial development projects designed to enhance the local tax base and/or generate jobs, such as acquisition and preparation of property for new use through demolition, clearance, and infrastructure improvements; and technical assistance to small businesses.
6. Urban renewal continuation. Continuation or completion of urban renewal activities begun during the categorical period.
7. Planning and administration. Planning, management, and administration of the CDBG program.

In addition to assigning each project to one of these categories, associates indicated whether single activities such as housing rehabilitation or a social service were part of a package of activities going into a target neighborhood. In this way, we were able to assemble all CDBG activities that were part of a neighborhood conservation strategy. We will discuss this concentration of activities later in the chapter.

Data on program allocations are presented in three ways --as unweighted mean percentages, as weighted mean percentages (percent of total dollars), and total dollar amounts. We preferred the unweighted mean to measure average program allocations across the sample because it reflects program priorities and eliminates the skewing effect of the large grants to the larger jurisdictions. For example, Auburn, Maine, with a third-year CDBG entitlement of \$701,000, allocated 81 percent (\$568,000) for housing and neighborhood conservation. Chicago, with a third-year entitlement of more than \$61 million, allocated 25 percent (\$15 million) to the same category. The unweighted mean for the two cases is 53 percent $(81 + 25)/2$. However, if the dollars are averaged, the mean for the two jurisdictions is only 25 percent, reflecting the strong downward influence of Chicago's larger entitlement.

Appendix 3 shows the block grant entitlement amounts for each jurisdiction for the first 4 program years and the percentage of funds allocated to each program category.

Although the unweighted mean is the preferred measure for aggregating and analyzing local program priorities, the dollar level and the percentage of total dollars (weighted mean) are also important measures of allocation trends; they take into account the increased amount of CDBG dollars distributed to sample communities each year and allow us to look at the use of the funding increments. In the first program year, \$534.4 million was allocated to the sample jurisdictions; by the fourth year, this amount increased to \$878.9 million because more money was authorized and because the dual formula increased allocations to several sample cities. (The effects of the dual formula are examined later in this chapter.) To illustrate, allocations for planning and administration have been relatively constant at about 11 percent of total sample dollars over the 4 years, but the dollar amount has increased by more than 50 percent, going from \$60.8 to \$96.4 million, reflecting in part the increases in funding. However, this 59-percent dollar increase for planning and administration was less than the 64-percent increase in total dollars allocated to jurisdictions in our sample.

Changing Patterns in Program Allocations

In our first report we observed a community focus on conservation and rehabilitation;² in our second report, housing and neighborhood conservation was cited as the predominant choice of the sample jurisdictions.³ Although we treat them as separate categories in this report, the trend in the third and fourth years was toward continued emphasis on housing and neighborhood conservation. Combined, the two categories have increased from an unweighted mean of 39 percent in the first year to 52 percent in the fourth year (table 5-1). More than half of the 61 jurisdictions (31) made housing and neighborhood conservation major parts of their third-year CDBG programs, allocating more than 50 percent of their grants for these uses; by contrast, only 19 jurisdictions had such program concentrations in the first year. In dollars, 46 percent (weighted mean) of the total allocations in the sample jurisdictions was earmarked for housing and neighborhood conservation in the fourth year, compared with 31 percent in the first year (table 5-2).

Although it is a relatively small category, economic development activities also have been moving up in local priorities. They showed an increase in the unweighted mean from 2 percent to 4 percent and a tripling of the dollar amount from \$19 million to \$60 million over the 4 years.

Opposite trends have occurred in two program categories. One is the continuing decline in funding for urban renewal continuation as projects started under the categorical grants are completed or stretched out. This program category has declined not only as an unweighted mean from a peak of 17 percent to 7 percent but also in dollars, from a peak of \$87 million in the second year to \$40 million in the fourth year. A similar trend has emerged in another large program area--general public improvements and services. The unweighted mean for this category has declined from 16 percent to 9 percent over the 4 years, and the dollar amount has also dropped.

The trends in the social services and facilities and planning and administration categories are less clear. For social services, in the first 3 program years the unweighted mean showed a small, steady decline (from 13 percent to 10

2. Nathan et al., Block Grants for Community Development, p. 260.

3. Dommel et al., Decentralizing Community Development, p. 170.

Table 5-1. Program Allocations, by Type of Jurisdiction, Years 1 through 4
(unweighted mean percentages)

Type of jurisdiction	Housing	Neighborhood conservation	Social services/facilities	General improvements/services	Urban renewal	Economic development	Planning administration	Multiple use ^b	Non-allocable ^c
<u>Central cities</u>									
Year 1	23	15	12	12	19	3	8	4	5
Year 2	21	14	10	16	20	4	9	3	3
Year 3	24	20	11	10	14	5	12	3	3
Year 4	31	19	11	7	8	5	13	4	3
<u>Satellite cities</u>									
Year 1	25	14	7	22	7	1	14	8	5
Year 2	20	26	13	14	4	3	12	5	4
Year 3	19	28	11	7	5	9	12	8	4
Year 4	22	31	13	6	2	5	14	6	2
<u>Urban counties</u>									
Year 1	13	17	15	23	17	2	17	4	6
Year 2	16	20	9	27	15	3	9	2	10
Year 3	20	24	8	27	1	3	10	1	7
Year 4	29	16	8	24	1	5	11	0	6
<u>Nonmetropolitan</u>									
Year 1	28	23	18	10	4	1	10	3	3
Year 2	37	23	10	4	14	4	6	1	5
Year 3	37	22	6	3	22	4	9	0	2
Year 4	22	45	7	2	11	2	11	0	3
<u>Total</u>									
Year 1	23	16	13	16	15	2	11	5	5
Year 2	23	19	11	16	17	3	9	3	5
Year 3	24	22	10	11	13	5	11	3	4
Year 4	28	24	10	9	7	4	13	3	3

Source: Field research data.

a. Based on the 40 jurisdictions that had urban renewal projects under the categoricalals.

b. Projects encompassing more than one program category.

c. Funds not allocated to specific projects.

Table 5-2. Program Uses of CDBG Funds by All Jurisdictions for Years 1 through 4
(thousands of dollars; weighted mean percentages)

Program category	Year 1	Year 2	Percentage change years 1-2	Year 3	Percentage change years 2-3	Year 4	Percentage change years 3-4	Percentage change years 1-4
Housing	\$110,401 (21)	\$128,461 (21)	16	\$176,128 (25)	37	\$291,580 (33)	66	164
Neighborhood conservation	54,395 (10)	63,751 (10)	17	94,566 (13)	48	115,084 (13)	22	111
Social services and facilities	86,273 (16)	84,757 (14)	-2	77,473 (11)	-9	97,342 (11)	26	13
General public improvements and services	61,288 (11)	101,614 (17)	66	97,154 (14)	-4	90,441 (10)	-7	48
Urban renewal continuation	55,526 (10)	87,056 (14)	57	63,587 (9)	-27	40,053 (4)	-37	-28
Economic development	19,148 (3)	25,186 (4)	31	41,386 (6)	64	60,000 (7)	45	213
Planning and administration	60,762 (11)	67,051 (11)	10	92,785 (13)	38	96,443 (11)	04	59
Multiple use ^a	56,111 (11)	28,545 (5)	-50	48,427 (7)	70	73,594 (8)	52	31
Not allocable ^b	30,471 (6)	20,320 (3)	-33	20,063 (3)	-	22,793 (2)	14	-25
Total	534,375	606,741	13	711,569	17	878,860	13	64
Number of jurisdictions	61	61		61		60 ^c		

Source: Field research data.

Note: Figures in parentheses indicate percentages.

- a. Projects encompassing more than one program category.
- b. Funds not allocated to specific projects.
- c. Pulaski County, Ill., was not funded in the fourth year.

percent) but leveled off in the fourth year; in dollars, social services and facilities remained relatively constant during the first 3 years, but increased significantly in the fourth year. Planning and administration showed only a small increase in the unweighted mean over the 4 years (from 11 percent to 13 percent), while the amount allocated for such uses increased by more than 50 percent.

Housing

Whether measured as an unweighted mean, a weighted mean, or in total dollars, housing activities consistently have been the largest single program category among the sample jurisdictions. By the fourth year, 58 of the 60 sample jurisdictions allocated some portion of their CDBG grants to housing activities; 55 made such allocations in the first year. In the fourth program year, the unweighted sample mean was 28 percent, compared with 23 percent in the first year. This 5-point increase in the unweighted mean represents a dollar increase of \$182 million; over the 4 years, housing allocations have nearly tripled, from \$110 million to \$292 million. The large dollar increase is accounted for in part by the continuing increase in total CDBG funds available and, in the fourth year, by the large increases to several jurisdictions as a result of the implementation of the dual formula. However, the increased allocations for housing activities may result largely from two local factors: (1) preferences at the community level for such programs by both residents and participants in the decisionmaking process, and (2) growing experience in implementing housing rehabilitation activities. Housing rehabilitation programs, which make up the greatest share of housing activities, can be difficult to carry out. (See appendix 4 for a discussion of the rehabilitation process.) In the early program years, some communities frequently did not spend funds for housing rehabilitation because they found it difficult to set up and implement the programs. The larger allocations to housing may reflect the increased ability of communities to spend the funds for rehabilitation.

Over the 4 years, allocations to housing activities increased by 164 percent even though total sample dollars increased by only 64 percent; the greatest increments came in the third and fourth years (table 5-2). In the second program year, allocations to housing activities increased by 16 percent, only slightly above the 13-percent increase in total sample dollars. In the third year, the housing increment was 37 percent, compared with a total sample increment of 17 percent between the second and third years. In the fourth year, the housing increment was 66 percent, while the total sample increment was only 23 percent.

Higher allocations by central cities and urban counties caused the overall increase in allocations for housing activities (table 5-1). The unweighted mean of central cities for housing allocations increased from 23 percent in the first year to 31 percent in the fourth year (the second-year mean was 21 percent); the greatest increase in percentage points came in the fourth year. Over the 4-year period, the average urban county allocation for housing activities increased from 13 percent to 29 percent, with greatest increase (9 percentage points) also coming in the fourth year. However, the satellite city allocations to housing increased from 20 percent in the second year to only 22 percent in the fourth year, which was below the peak allocation of 25 percent in the first year. This lower allocation may reflect the generally better condition of housing in the satellite cities of the sample.

Among the housing activities, rehabilitation assistance received most of the housing funds: 71 percent (\$78.4 million) in the first year, increasing to 73 percent in the second, third, and fourth years (\$212.8 million in the fourth year). By the fourth year, every jurisdiction in the sample had allocated funds for at least one rehabilitation program in at least one program year.

For some jurisdictions, large grant increases in the fourth year as a result of the dual formula were used partially to expand housing rehabilitation activities. Allegheny County's (Pa.) allocation for rehabilitation went from \$1.9 million in the third year to \$3.3 million in the fourth year; in Evanston, Ill., the third-year allocation for rehabilitation was \$260,000, nearly tripling to \$728,000 in the fourth year; in St. Louis, the rehabilitation allocation went from \$1.54 million in the third year to \$8.21 million in the fourth year; and in New York City, the third-year allocation of \$34.5 million more than doubled to \$72.6 million in the fourth year.

Neighborhood Conservation and General Improvements

These two categories were examined together because they involve the same kinds of activities, such as street and sidewalk repair and park development, and there appears to be a relationship in their opposite trends. As defined earlier, neighborhood conservation activities are public improvements that are part of a package of CDBG activities to stabilize or conserve residential neighborhoods. Public improvements and services not oriented toward neighborhood conservation or economic development are classified as general public improvements and services.

In examining allocation trends for these categories, we must understand the distinction between measurement by the unweighted mean and the total dollars. If we use the unweighted mean (table 5-1), which reflects the priority of program choices by individual communities, we see that neighborhood conservation activities were tied with general improvements and services (16 percent each) for second place in the first program year. However, in dollar terms neighborhood conservation activities were in sixth place (out of seven), while general improvements ranked third (table 5-3). This disparity between the two measurements indicates that in the neighborhood conservation category, smaller jurisdictions with smaller grants were allocating a larger share of their funds to these activities than were larger jurisdictions; this is suggested in table 5-1 by the higher unweighted mean allocations by the satellite cities and nonmetropolitan jurisdictions. In the second program year, the neighborhood conservation category became the second-ranked program choice on an unweighted mean basis and remained in that position through the third and fourth years, behind housing. However, it was not until the third year that neighborhood conservation moved up in the rankings in total dollars, becoming the third highest category in the third year and moving into second position in the fourth year as the larger jurisdictions began to increase activities in this area.

Over the 4 years, the number of jurisdictions allocating funds to neighborhood conservation activities increased from 45 to 57. We can also see the increased priority given to neighborhood conservation if we compare the annual dollar increments allocated for this category with the increments in total dollars going to the sample jurisdictions. In the second year, there was a 17-percent increase in funds for neighborhood conservation, compared with a 13-percent increment in the total sample dollars (table 5-2). The largest increment for neighborhood conservation occurred in the third year--a 48-percent dollar increase over the second year compared with a sample increment of 17 percent. In the fourth year, the increments were almost the same--22 and 23 percent, respectively. Over the 4-year period, allocations to this category grew by 111 percent, nearly double the rate of sample growth of 64 percent.

In the public improvements and services category, the opposite occurred. This group of activities was ranked third in dollars in the first year, rising to second place in the second and third program years (table 5-3). But as jurisdictions shifted away from general improvements, this category dropped to the fifth place in dollar ranking in the fourth year, and its unweighted mean ranking dropped from second to fifth place over the 4 years. The number of jurisdictions

Table 5-3. Dollar and Unweighted Mean Rankings of Program Categories, Years 1 through 4

Program category ^a	Year 1		Year 2		Year 3		Year 4	
	Dollars	Unweighted mean	Dollars	Unweighted mean	Dollars	Unweighted mean	Dollars	Unweighted mean
Housing	1	1	1	1	1	1	1	1
Neighborhood conservation	6	2 (tie)	6	2	3	2	2	2
Social service facilities	2	5	4	5	5	6	3	4
General improve-ments/services	3	2 (tie)	2	4	2	4 (tie)	5	5
Urban renewal continuation	5	4	3	3	6	3	7	6
Economic development	7	7	7	7	7	7	6	7
Planning and administration	4	6	5	6	4	4 (tie)	4	3

Source: Field research data.

a. The multiple-use and nonallocable categories were not included in this analysis because the allocations could not be discretely divided.

with such activities also decreased from a high of 48 in the second year to 41 in the fourth year.

In terms of increments, general improvements were allocated an increase of 66 percent in the second year; this turned downward sharply in the third year, when the category received 4 percent fewer dollars and then declined 7 percent in the fourth year (table 5-2). The net result after 4 years was that this category fell below the overall program growth, receiving an additional 48 percent in funds over the 4 years compared with the total sample dollar growth of 64 percent.

When the general improvement category is divided into its two components--capital projects and services--the data show that the service portion is becoming an increasingly large portion of the combined category. In the first year, capital activities accounted for 60 percent of the \$61 million allocated; by the fourth year, capital activities had declined to 51 percent of the \$91 million going to the combined category. The number of jurisdictions with CDBG-funded general capital projects decreased from a high of 40 in the second year to 35 in the fourth year, while jurisdictions with general services allocations increased from 20 to 25 over the 4 years. As an unweighted mean, capital activities declined from 12 percent to 6 percent while services declined from 4 percent to 3 percent.

A point we consider to be significant is the opposite trends occurring in the comparable categories of neighborhood conservation and general capital improvements. The overall trend has been an increase in neighborhood conservation activities by an unweighted mean of 8 percentage points and a 111-percent increase in dollars over 4 years. At the same time, general capital improvements declined by an unweighted mean of 6 percentage points (table 5-4), while there was a 12-percent decline in dollars between the peak allocations in the second year (\$53.9 million) and the fourth year (\$47.5 million).

The 16-percentage-point decline (unweighted mean) in satellite city spending on general capital projects is particularly striking because it was matched by a 17-percentage-point increase in comparable neighborhood conservation activities. This indicates that satellite cities are continuing to allocate significant amounts of funds to such activities as streets, sidewalks, and parks but have shifted the location and purpose of such activities. Instead of undertaking such activities singly as part of a community's general public works and recreation functions, satellite cities are now packaging these activities with other CDBG-funded capital projects or services to upgrade designated target neighborhoods.

Table 5-4. Allocations to Neighborhood Conservation and General Public Improvements and Services, Years 1 through 4 (unweighted mean percentages)

Type of jurisdiction	Neighborhood conservation	General public improvements and service		
		Capital activities	Services	Total
<u>Central cities</u>				
Year 1	15	9	3	12
Year 2	14	11	5	16
Year 3	20	6	4	10
Year 4	19	4	3	7
<u>Satellite cities</u>				
Year 1	14	19	3	22
Year 2	26	11	3	14
Year 3	28	4	2	6
Year 4	31	3	3	6
<u>Urban counties</u>				
Year 1	17	17	6	23
Year 2	20	24	3	27
Year 3	24	25	2	27
Year 4	16	20	4	24
<u>Nonmetropolitan</u>				
Year 1	23	7	4	11
Year 2	23	2	2	4
Year 3	22	1	2	3
Year 4	45	2	0	2
<u>Total</u>				
Year 1	16	12	4	16
Year 2	19	12	4	16
Year 3	22	8	3	11
Year 4	24	6	3	9

Source: Field research data.

This shift, which has been occurring since the first year, may be linked both to HUD's targeting policies that emerged between 1976 and 1978 and to its stricter interpretation of eligible activities, policies which were felt most in suburban jurisdictions, as discussed in chapter 3. An example is Scottsdale, Ariz. In its third-year application, the city proposed to use almost \$900,000 for major street improvements on the two main thoroughfares. The HUD area office disallowed these projects and required the city to redirect the money to other parts of the city. As a result, Scottsdale used the funds for both street improvements and housing activities in a designated target area. Miami Beach, Fla., and Harris County, Tex., also illustrate such shifts.

Capsule 5-1. Miami Beach, Fla.

Miami Beach allocated 46 percent of its third-year block grant to general public improvements and services, but allocated less than half that proportion--21 percent--of its fourth-year entitlement. At the start of the program, funding was directed primarily at the South Beach target area. Housing rehabilitation was the major activity undertaken with first-year funds, and construction of a social service facility was the single largest second-year program. According to the associate, "Between the second and third years, there was a gradual transition to a general development strategy with the distribution of benefits largely communitywide instead of being targeted to the South Beach area. However, from the third to fourth program years, there was a switch in emphasis away from redevelopment planning to neighborhood revitalization. The change was partly the result of HUD influence and city anticipation of the impact of the new neighborhood-oriented regulations. Additionally, the city realized that its hit-and-miss approach for community development was resulting in the spreading of program benefits, and it was time to develop a strategy for community development."

Capsule 5-2. Harris County, Tex.

Allocations for general public improvements and services decreased from almost 94 percent of the first-year entitlement to 75 percent of the fourth-year grant. During the first 3 years, the county's prime emphasis was on development of a countywide system of major park facilities. The associate reported: "HUD's shift from a hands-off policy to a more substantive and aggressive monitoring role accounted for important programmatic shifts in the fourth year." HUD

successfully challenged third-year CDBG allocations for development of a major county park (Cypress Creek) on grounds that the area did not qualify as lower income and was "virtually inaccessible except by helicopter." At the same time HUD pressed and succeeded in getting the county to adopt more geographically targeted programs.

A similar but less pronounced shift from general improvements to neighborhood conservation activities occurred in the central cities, where general capital projects declined from an unweighted mean of 9 percent to 4 percent over the 4 years, while the neighborhood conservation category increased from 15 percent to 19 percent. In the urban counties, the pattern is less clear because both neighborhood and general development activities have generally moved in the same direction each year. The high level of general capital projects in the urban counties may be attributable in part to the special situation of counties and their functional responsibilities for such activities as roads, water and sewer service, and park improvements in unincorporated parts of their jurisdictions. In the nonmetropolitan areas, most shifts result from the specific projects approved through HUD's discretionary funding, not from shifting local strategies.

Viewed overall, the shift of allocations from the general improvements to the neighborhood conservation category indicates that local governments have not changed how they are spending the money so much as where they are spending it. Our monitoring research does not deal with the extent to which CDBG funds are being substituted for local revenues to carry out capital projects that are frequently a general function of local government.

Social Services and Urban Renewal: Categorical Continuation

Although they are different types of activities, social services and urban renewal continuation are analyzed together because they are the two major activities carried over from the categorical grant period. Beyond the broad goals of developing "viable urban communities...and a suitable living environment...principally for persons of low and moderate income," the CDBG legislation mandates no single program or mix of programs. Among the early expectations, however, was that social services would not be a major part of the CDBG program and that existing urban renewal projects would be completed but few new large-scale renewal activities would be undertaken. The two programs together accounted for 90 percent of the funds consolidated into the CDBG program. This section analyzes the "legacy" of these categorical programs.

We asked associates to indicate the funding origin of each CDBG activity for each program year. We wanted to determine whether the activity had been initiated with categorical funds and was being continued under the block grant program or whether the activity had been started under the block grant. The data showed a marked drop in the proportion of CDBG dollars used to continue categorical programs. In the first year, 35 percent (weighted mean) of block grant funds went for categorical program continuation; this figure declined to 28 percent in the second year, to 17 percent in the third, and to 12 percent in the fourth year. Thus, the activities begun under the categorical programs represent only a small share of the CDBG program. Although this is the overall trend, the effects of the categoricals have a greater continuing impact in some communities. For example, Carbondale, Ill., has allocated about 30 percent of its grant to urban renewal continuation each year, even though its grant declined from nearly \$3 million in the first year to \$1.5 million in the fourth year, when the first phase-down of the city's hold-harmless grant took effect.

Social Services and Facilities. Overall, allocations for social services and social service facilities have declined, although there was some evidence in the fourth year that such activities may be making a comeback. For the first 3 years, this category received declining priority among the sample jurisdictions. The unweighted mean dropped from 13 percent in the first year to 10 percent in the third year (table 5-1); the dollar amount also declined, from \$86.3 million to \$77.5 million over the 3 years, at the same time that the total sample dollars were increasing (table 5-2). In the fourth year, there was some turnaround--the unweighted mean stabilized at 10 percent and the dollar amount increased by 26 percent, to \$97.3 million. Nevertheless, over the 4 years, the dollar increase for social services and facilities (table 5-2) was only 13 percent, compared with the 64-percent increase in total sample dollars.

Of the 61 sample jurisdictions, 40 allocated some funds to social services in the fourth program year, compared with 37 making such allocations in the first year. The trend in facilities allocations during the first 3 years was toward a decline in the number of sample jurisdictions funding such activities, from 36 to 31, but this number started to increase in the fourth year.

The overview combined social services and social service facilities into a single category because they are related program objectives; however, to analyze the continued impact of the categorical programs we separated the two.

Social services had been a major part of the model cities program that was folded into the block grant; model cities represented about 25 percent of the categorical funds that were consolidated into the CDBG program. From the outset of the block grant in 1974, it was anticipated that the level of social services spending under CDBG would decline. Congress did not set a limit on social service spending, but the legislative history suggested that communities should allocate no more than 20 percent of their grants to social services. This implied ceiling later guided HUD's interpretation of the program, which emphasized "mainly hardware (bricks and mortar) and not software (social services)."⁴

Allocations to social services (for example, programs for child care, senior citizens, health programs, and education) have been constant at an unweighted mean level of about 6 percent, although the dollar amounts have increased from \$55 to \$61 million (table 5-5); however, the 11-percent dollar growth is far below the 64-percent increase in total sample dollars over 4 years. The trend in social service facilities has generally been in the opposite direction. Although there was an increase in the unweighted mean between the third and fourth years from 3 percent to 4 percent, the mean had declined from a high of 7 percent in the first year. However, the dollar amount for facilities in the fourth year more than doubled from the third year because of major increases in allocations in a few large cities.

Among the jurisdictions, central cities spent the most for social services, allocating an unweighted mean of about 7 percent to 8 percent each program year (table 5-5), with the dollar amount increasing slightly over the 4 years. Satellite cities tripled their social service allocations over the 4 years; by the fourth year their unweighted mean was equal to that of the central cities. However, 80 percent of the central cities allocated funds to social services in the fourth year, but only half of the satellite cities did so. The nonmetropolitan jurisdictions made social service allocations averaging 5 percent to 6 percent each year, but this figure was strongly affected by spending in Carbondale, Ill., which earmarked about one-fourth of its grant each year to social services. Only about one-third of the nine nonmetropolitan communities in the sample made social service allocations over the 4 years. Seventy percent of the urban counties made social service allocations in the fourth program year, but the unweighted average allocation for the 10 counties in the sample was only 3 percent.

4. Nathan et al., Block Grants for Community Development, pp. 244-45; Dommel et al., Decentralizing Community Development, pp. 90-93.

Table 5-5. Allocations for Social Services and Facilities, by Type of Jurisdiction, Years 1 through 4

Type of jurisdiction	Social services		Social service facilities		Total	
	Unweighted mean percentage	Thousands of dollars	Unweighted mean percentage	Thousands of dollars	Unweighted mean percentage	Thousands of dollars
<u>Central cities</u>						
Year 1	8	51,618	4	24,793	12	76,411
Year 2	8	53,500	3	18,112	11	71,612
Year 3	9	54,484	1	8,260	10	62,744
Year 4	7	55,164	3	28,719	10	83,883
<u>Satellite cities</u>						
Year 1	3	742	4	464	7	1,206
Year 2	3	970	10	1,273	13	2,243
Year 3	6	1,861	5	888	11	2,749
Year 4	7	2,112	6	1,314	13	3,426
<u>Urban counties</u>						
Year 1	4	2,375	12	4,742	16	7,117
Year 2	2	2,989	7	6,739	9	9,728
Year 3	2	3,004	6	7,993	8	10,997
Year 4	3	3,313	5	5,971	8	9,284
<u>Nonmetropolitan</u>						
Year 1	5	866	13	673	18	1,539
Year 2	6	993	4	181	10	1,174
Year 3	4	803	2	180	6	983
Year 4	6	718	0.2	30	6	748
<u>Total</u>						
Year 1	6	55,601	7	30,672	13	86,273
Year 2	6	58,452	5	26,305	11	84,757
Year 3	7	60,152	3	17,321	10	77,473
Year 4	6	61,307	4	36,034	10	97,341

Source: Field research data.

A different pattern emerged for social service facilities. As an unweighted mean, allocations by the suburban jurisdictions (satellite cities and urban counties) were higher than those made by central cities, although the dollar amounts were much lower. Except in the first and second years, allocations by the nonmetropolitan jurisdictions have been very low. Spending figures for the first 2 years was strongly influenced by major allocations by Pulaski County, Ill., for community centers.

Prior participation in the model cities program was a major determinant of social service and facility spending. As shown in table 5-6, model cities jurisdictions were more likely to make allocations for social services; the unweighted average funding level for such activities in these communities was much higher than for jurisdictions without experience in model cities. Of the 27 sample cities that had had a model cities program, 26 funded social services in the fourth program year; this was an increase over the first year, when 23 made such allocations. The unweighted mean allocation for social services by former model cities participants over the 4 years was 11 percent. However, fewer than half of the 34 sample jurisdictions without model cities programs allocated funds to social services over the 4-year period; their average allocation was about 2 percent.

Perhaps this relationship between model cities experience and social service allocations is that once cities started these services, they chose to continue them; also, some may have found it difficult to discontinue such funding because of pressure from constituent groups and the bureaucracies operating the programs. Nevertheless, most of the jurisdictions that had model cities reduced social service spending well below the implied 20-percent limit.

Table 5-6. Social Service Allocations by Participants and Nonparticipants in Model Cities, Years 1 through 4

	Participants		Nonparticipants	
	Number	Percentage	Number	Percentage
Year 1	23	11	15	2
Year 2	26	11	12	2
Year 3	25	11	14	3
Year 4	26	11	15	2

Source: Field research data.

Although model cities/social service linkage is apparent, there have been important changes in the nature and distribution of social services. Under the model cities program, service beneficiaries were residents of a designated target neighborhood. Part of the local complaint against model cities had been that residents outside the model neighborhood, many of whom were also in lower income groups, were denied these services. With the coming of the CDBG program came pressure to end some services and expand benefits to other neighborhoods.

Our analysis of specific social services funded by CDBG shows that a decreasing share of funds was earmarked for the same services to the same group as those funded under the model cities program. In the first program year, 82 percent (\$45.9 million) of the social services allocation went to activities that were direct carryovers from the model cities program (table 5-7). By the fourth year, this direct carryover declined to 22 percent (\$13.8 million).

A similar pattern of declining carryover allocations appears for social service facilities, although such activities were not carried over so extensively as social services. In the first program year, only 23 percent (\$6.9 million) of the allocations for social service facilities was carried over from the categoricals (compared with 82 percent of social service allocations), primarily from the model cities and neighborhood facilities programs. By the fourth year, only 2 percent (\$691,000) of the facilities activities were continuations of categorical projects.

The decline in carryover commitments for facilities probably results from the completion of projects started under the categorical grants. In the case of services, recipient communities are shifting the kinds of social services being provided, eliminating some specific services provided under the model cities program and implementing others.

Also, some jurisdictions are expanding social service activities to areas outside the former model cities neighborhood. As shown in table 5-8, in the first year the model cities neighborhoods received 40 percent of social service spending in sample jurisdictions that had model cities programs. By the fourth year, the model cities neighborhoods received only 25 percent of social service spending as new services were instituted elsewhere or the services started under model cities were expanded to other areas. The spread of social service spending in Houston illustrates this point.

Table 5-7. Program Origins of Allocations for Social Services and Facilities, Years 1 through 4

Type of activity	Categorical continued (thousands of dollars)		CDBG-funded (thousands of dollars)		Unknown (thousands of dollars)		Total (thousands of dollars)
<u>Social services</u>							
Year 1	45,925	(82)	9,587	(17)	89	(1)	55,601
Year 2	43,461	(74)	14,991	(26)	0		58,452
Year 3	28,601	(47)	28,640	(48)	2,911	(5)	60,152
Year 4	13,851	(22)	47,250	(77)	206	(1)	61,307
<u>Social service facilities</u>							
Year 1	6,951	(23)	23,721	(77)	0		30,672
Year 2	2,995	(11)	23,190	(88)	120	(1)	26,305
Year 3	707	(4)	16,270	(94)	344	(2)	17,321
Year 4	691	(2)	35,343	(98)	0		36,034
<u>Social services and facilities</u>							
Year 1	52,876	(61)	33,308	(39)	89	(.1)	86,273
Year 2	46,456	(55)	38,181	(45)	119	(.1)	84,756
Year 3	29,308	(38)	44,910	(58)	3,255	(4)	77,473
Year 4	14,452	(15)	82,592	(85)	206	(.2)	97,250

Source: Field research data.

Note: Figures in parentheses are percentages of total allocations for each type of activity.

Capsule 5-3. Houston

Prior to the model cities program Houston had never been involved in human services programs other than normal public health and recreation services. Many city officials reputedly believed that the use of own-source funds for such purposes would violate the city charter. In that sense, model cities was the only source of funding for locally initiated human service delivery programs. It served a residential area that was predominantly black and included some of the poorest sections of the city. Since Houston had not participated in the urban renewal program, model cities constituted

the lion's share--93 percent--of hold-harmless funds at the start of the block grant.

Because of strong political ties between the mayor and the black community, the continuation of model cities service programs under the block grant was inevitable. Houston allocated an average of about \$2 million a year for social services. Because of its increasing grant, however, the share of allocations going for social services declined from 12 percent the first year to 8 percent in the fourth year (the high was 16 percent in the second year).

Model cities was terminated as an identifiable program in the third year; the agency was redesignated the Houston Resources Department and became a standing line department of the city responsible for implementing service programs, largely funded by Federal and State sources. But major changes in the delivery of CDBG-funded human services were made that year. The model cities agency had functioned with a good deal of autonomy in determining program activities, and under the legislation these services went exclusively to the model cities neighborhoods. This pattern continued through the first 2 years of CDBG, despite strong service demands from other neighborhoods for service programs. With the phase-out of model cities, the policy shifted to the service needs of all the CDBG target areas. Funds for existing service programs in the model cities areas were reduced. Service needs and priorities were carefully analyzed for each CDBG target area, with regard to day care, elderly, and youth services, and the emerging program activities were distributed across a much broader range of the city's lower income neighborhoods. As a result, the share of social service spending in the model cities neighborhood dropped from 73 percent in the first year to 26 percent in the third year.

Table 5-8. Social Service Allocations to Model Cities Neighborhoods, Years 1 through 4

Year	Percentage	Thousands of dollars
1	40	22,240
2	35	26,458
3	29	17,444
4	25 ^a	15,326

Source: Field research data.

a. Excludes New York City.

In summary, most jurisdictions have spent less on social services and facilities under the CDBG program than they did with categorical aid; as noted, however, this pattern may be changing. An increasingly large share of allocations for social services and facilities is going to activities started under the CDBG program. Moreover, CDBG-funded social services are reaching more areas of recipient jurisdictions, thereby reducing the concentration of such services in former model cities neighborhoods.

Urban Renewal Continuation. Urban renewal--which usually meant large-scale land acquisition, building demolition leading to installation of public improvements, and construction of new buildings--was a consistently declining priority among the sample jurisdictions over the 4-year period. In all program categories, urban renewal continuation has had the greatest losses; dollar allocations declined by 28 percent over 4 years (table 5-2), and urban renewal ranks last in dollars and sixth as an unweighted mean (table 5-3). Urban renewal continuation peaked in the second year, when the dollar allocation was 14 percent (\$87 million) of total sample dollars; in the fourth year, allocations were only 4 percent (\$40 million). This decline is not surprising because many of the old projects have been completed; in some cases, however, the decline results from local decisions to stretch out commitments to projects.

Of the 40 sample jurisdictions that had urban renewal projects, only 22 continued to allocate funds to these projects in the fourth program year; the unweighted mean for the 40 jurisdictions was 7 percent. Over the 4 years fewer and fewer communities allocated 25 percent or more of their grants to urban renewal continuation; in the first year, 10 communities allocated at least 25 percent, but only 4 did so the fourth year. In Auburn, Maine, the Great Falls urban renewal project was completed with large allocations of CDBG funds in the first 2 years. The associate reported that the city "then took on a neighborhood conservation project and began to use funds for rehab, first residential and later commercial." Allocations by Jacksonville, Fla., for urban renewal completion dropped from 58 percent in the first year to 10 percent in the fourth year "in anticipation of completion of the Hogans Creek project." According to the associate, major redevelopment was not an important aspect of the fourth-year CDBG program because "it is too costly, too concentrated, and has very little communitywide support."

The cities allocating more than one-fourth of their grants in the fourth year to continuing renewal projects were Newark, N.J.; San Jose, Calif.; Sioux City, Iowa; and Carbon-dale, Ill. San Jose's continuing commitment to urban renewal was largely influenced by the city manager and his staff, who

consistently favored downtown urban renewal. According to the associate, HUD--"concerned with salvaging its own financial interest in San Jose's renewal projects"--also supported the large redevelopment commitment. Fourth-year capital improvements scheduled for the San Antonio Plaza Project were considered "essential to attract development and jobs to the downtown." However, growing community involvement in the fourth-year CDBG program led to increased allocations for neighborhood projects and social services and to the first decline in funds for urban renewal continuation.

Economic Development

Economic development consistently has been one of the smallest CDBG program categories, although it has grown more each year than any other program category (table 5-2). In the fourth program year, the unweighted mean allocation to economic development activities was 4 percent, (table 5-1); the highest unweighted mean was 5 percent in the third year. Because of substantially increased allocations in some of the larger sample jurisdictions, however, the dollar amount for economic development activities more than tripled, from \$19 million in the first year to \$60 million in the fourth program year (table 5-2). A large part of the increase is accounted for by a few large cities. Chicago doubled its economic development allocation between the second and third years, going from \$5 million to \$10 million; the city allocated an additional \$11 million in the fourth year. Los Angeles increased its funds from \$1 million in the second year to \$6.5 million in the third and fourth years. New York City more than doubled its allocation between the third and fourth years, from \$5 to \$11 million.

The number of sample jurisdictions making allocations for economic development activities increased from 23 to 34 over the 4 years. Although the general pattern is toward increased allocations for economic development, there are considerable variations in individual communities. For example, in the second and third years, Alma, Mich., allocated more than one-third of its grant to economic development, but earmarked no funds for that purpose in the fourth year. Cleveland Heights, Ohio, made no economic development allocations in the first 2 years but put nearly 60 percent (\$291,000) of its third-year grant of \$497,000 and one-third (\$710,000) of its fourth-year grant of nearly \$2 million into commercial development. Large year-to-year increases and decreases were also reported in other sample communities. Among the jurisdictions with significant economic development activities were Allegheny County, Pa., Phoenix, Ariz., and Rochester, N.Y.

Capsule 5-4. Allegheny County, Pa.

Over the past several years, the Allegheny County Overall Economic Development Program Committee has set goals that call for the county government "to stimulate and leverage private investments through economic development such as industrial parks." Two industrial parks, earlier ruled ineligible by HUD for CDBG funding, were included in Allegheny County's third-year application with documentation that these projects would be of principal benefit to low- and moderate-income persons. Allocations for economic development, especially industrial development, were increased to 26 percent of the fourth-year grant and attributed by the associate to "a growing realization that Allegheny County was experiencing a period of general economic stagnation, marked by loss of jobs in certain sectors."

Capsule 5-5. Phoenix

With the near completion of the 3-year commitment to the Booker T. Washington Neighborhood Development Project, economic development became a "big winner" in the fourth-year program, receiving 21 percent of the city's \$10 million grant. In the first 3 years, less than 1 percent was allocated to economic development. According to the associate, the fourth-year funds were "to be used as leverage for sorely needed downtown redevelopment." A substantial portion of the economic development allocation was earmarked for the acquisition and clearance of blighted property "located in the heart of downtown and considered essential to any kind of reasonable economic development of that area."

Capsule 5-6. Rochester, N.Y.

Conservation of neighborhoods and economic development, both industrial and commercial, were established as program priorities at the outset of the CDBG program. Economic development allocations--19 percent of the third- and fourth-year entitlements--were for commercial grants and loans in target neighborhoods and for public improvements to implement an ambitious plan for downtown development. In addition, Rochester was awarded a \$5.2 million urban development action grant (UDAG) to help a major local industry expand its production facilities, thereby retaining several thousand jobs in the city and providing stability to a neighborhood bordering the CDBG primary target area.

We found increasing use of the block grant for economic development in all types of jurisdictions. The number of central cities with such activities increased from 14 to 18 over the 4 years, with the unweighted mean increasing from 3 percent to 5 percent (table 5-1). Of the 12 sample satellite cities, the number of jurisdictions making economic development allocations increased from 2 to 5 (7 in the third year), and the unweighted mean went from 1 to 5 percent (9 percent in the third year). Among urban counties, the number allocating funds to economic development increased from 5 to 9, with only Harris County, Tex., earmarking no funds for this purpose in the fourth year; the unweighted mean increased from 4 percent to 6 percent. Not surprisingly, only two of the nine nonmetropolitan jurisdictions undertook economic development activities in each of the 4 years. These jurisdictions receive funds on the basis of either hold-harmless entitlements or discretionary grants; in either case, economic development was less likely to be a program choice.

Although the relationship is not perfect, the data suggest that allocations to economic development are related to increases in a community's grant. In Chicago, the doubling of its economic development allocation in the third year coincided with a \$14 million increase in the city's grant. As a result of the dual formula, Chicago's grant took a major jump in the fourth year, from \$61.4 million to \$117.8 million; however, only an additional \$1 million went into economic development. In Los Angeles, allocations to economic development increased from \$1.2 million in the second year to \$6.5 million in the third year, while the city's grant increased by \$10 million. In New York City, the doubling of the economic development allocation between the third and fourth years coincided with a \$71 million grant increase. Similarly, in St. Louis the economic development allocation increased from \$508,000 in the third year to nearly \$3.4 million in the fourth year, as the city's grant grew from \$16.5 million to \$34.3 million. We found similar patterns in Cook County, Ill., and Cleveland Heights, Ohio. In Seattle, economic development allocations went from zero to about a half million dollars between the third and fourth year as the city's grant increased from \$9.6 million to \$16.2 million. The associate for Seattle noted that allocations to economic development have been limited by constitutional and legislative restrictions on the use of public funds for private ventures.

We do not want to overstate the linkage between grant increments and allocations to economic development; there are instances in which marked increases in the grant have not been accompanied by allocations to or increases in funds for economic development. In some jurisdictions, such as

Philadelphia, allocations to economic development have increased even though grant sizes have been stable.

It is also possible that some of the fourth-year increase in economic development allocations may be the result of the 1977 legislative changes, which expanded the range of such activities that could be included in a community's CDBG program. However, because allocations to economic development have been increasing since the first program year, and because much of the fourth-year increase is accounted for by a few jurisdictions that had substantial grant increases, we believe that the grant increases are more important than the legislative changes in explaining the economic development trend.

Planning and Administration

In the fourth year, all sample jurisdictions funded planning and administrative costs associated with the CDBG program. Jurisdictions allocated an average of 13 percent for these costs in the fourth year (table 5-1), or 11 percent of total dollars (table 5-2). As shown in tables 5-1 and 5-2, the trend has been toward an increase in allocations for planning and administration, both as an unweighted mean and in dollar amounts. Over the 4 years, the unweighted mean increased from 11 percent to 13 percent (the second year was an exception, with 9 percent), whereas dollars for planning and administration increased from \$61 to \$96 million. However, this 59-percent increase in dollars is less than the 64-percent increase in total sample dollars.

Central cities caused most of the increase; their average allocation grew from 8 percent in the first year to 13 percent in the fourth year, with the largest increase occurring between the second and third years (table 5-1). The central cities in our sample are generally large jurisdictions with large grants, which also accounts for much of the dollar increase in allocations. The satellite cities showed a decline in the unweighted mean over the first 3 years, from 14 percent to 12 percent, but this increased to 14 percent in the fourth year. The urban counties and nonmetropolitan communities showed a pattern (generally increasing after the first year) similar to that of the central cities. Despite some large changes over the years by all types of jurisdictions except the satellite cities, however, there was little variation in each group from the sample mean by the fourth program year. The nonmetropolitan jurisdictions tended to fall below other jurisdictions because half of these communities received discretionary grants for specific projects and therefore required less money for general planning and administration.

Prior categorical experience appears to have influenced early allocations to planning and administration. As shown in table 5-9, jurisdictions with no experience or a low level of categorical experience had high allocations (14 percent) for planning and administration in the first year, presumably because of high start-up costs. Jurisdictions with a moderate or high level of experience had lower allocations in the early years. By the fourth year, however, the average allowance for planning and administration was nearly the same, regardless of prior categorical experience.

With a few exceptions, planning and administrative costs were not singled out for special discussion by associates. The exceptions involved cases in which administrative costs or the inclusion of planning studies became important issues. Administrative costs in Lansing, Mich.,--31 percent in the third year and 47 percent in the fourth year--appeared to HUD to be very high. At HUD's request, Lansing changed its accounting procedure from one in which all CDBG administrative and planning costs were charged to one category to a system in which administrative costs of individual program activities are charged to the cost of those activities, a procedure used in most jurisdictions.

Table 5-9. Allocations to Planning and Administration Relative to Categorical Experience, Years 1 through 4

Year	Percentage of allocations		
	None/low	Moderate/high	Total
1	14	9	11
2	10	9	9
3	11	11	11
4	14	12	13
Number of jurisdictions ^a	22	39	61

Source: Field research data.

a. Because Pulaski County, Ill., did not receive funding in the fourth year, the number of jurisdictions with none or low categorical experience is 21 and the total number of jurisdictions is 60 for the fourth year.

Allocations for planning studies were an important feature of the CDBG programs in two satellite cities (Greece, N.Y., and Miami Beach, Fla.) with little or no prior experience with the categorical grants. Greece, a rapidly growing suburb of Rochester, included funds for studies of drainage problems and recreational development in its second-, third-, and fourth-year applications. Although HUD rejected a feasibility study for a municipal utility in the fourth year, it approved funding for other studies linked to the town's development. Over the 4-year period, planning and administrative costs in Greece averaged 28 percent of the town's entitlement each year.

The associate for Miami Beach reported that "after its inability to implement its first year multi-family rehab loan program," the city included extensive planning funds in its subsequent CDBG programs. More than 25 percent of its third- and fourth-year grants went to planning and administration. Although HUD did not reject planning costs for the South Beach Redevelopment Area, it told the city it did not want to see a continued predominance of planning activities.

Our analysis now shifts from individual categories to the effects of formula allocation changes on the program mix in communities affected by the dual formula or hold-harmless phase-down.

Effects of the Dual Formula and Hold-Harmless Phase-Down

In the fourth program year two major changes in the allocation of funds were implemented. One was the start of the dual formula system, which directed substantially more aid to several older, declining cities. The second change was the first stage of the phase-down of hold-harmless funds.⁵ Under the phase-down, the allocation to a community with a hold-harmless grant greater than its formula entitlement is reduced by one-third of the difference in the fourth year and two-thirds in the fifth year. In the sixth program year, all formula entitlement jurisdictions will receive their formula amount; communities without formula entitlements go under the CDBG discretionary grant system.

5. Generally, the hold-harmless provisions of the 1974 act provided that for the first 3 years of the CDBG program a community would continue to receive the average amount of the folded-in categorical grants it received during the period from 1968 to 1972. In the fourth year, the hold-harmless funds would begin to phase down.

The Dual Formula

The dual formula system retained the original poverty-oriented formula based on population, poverty (weighted double), and overcrowded housing, and added a second formula to measure physical development needs. The second formula, which used pre-1940 housing (0.5), poverty (0.3), and population growth lag (0.2) factors, was helpful in aiding "older cities in all regions, but particularly old central cities of the Northeast and Midwest."⁶ Under the dual formula system, no entitlement jurisdiction receives less funding than it would under the original formula. However, the dual formula does not return all cities to the level of benefits they received under the categorical grants; more than 100 cities are projected to receive less under the dual formula than they had received under the categorical grants.

The dual formula had dramatic effects on nine sample jurisdictions, all of which received very large entitlement increases (more than 40 percent) in the fourth year. Table 5-10 shows these jurisdictions and their third- and fourth-year entitlements.

Table 5-10. Sample Jurisdictions with Major Grant Increases from the Dual Formula, Years 3 and 4

Jurisdiction	Year 3 (thousands of dollars)	Year 4 (thousands of dollars)	Percentage increase
Allegheny County, Pa.	8,449	12,500	48
Chicago	61,441	114,279	86
Cleveland	16,092	34,660	115
Cleveland Heights, Ohio	497	1,994	301
Evanston, Ill.	797	1,873	135
New York City	150,335	223,643	49
Pittsburgh	15,541	22,987	48
St. Louis	14,343	31,840	122
Seattle	9,502	15,751	66

Source: Field research data.

6. For a full discussion of the formula system, see Dommel et al., Decentralizing Community Development, chapter 2.

The effects of the increased funds on program choices varied. Some jurisdictions shifted program emphasis, funding new kinds of activities or expanding existing programs into new geographic areas. Other jurisdictions used their larger fourth-year entitlements to increase the funding level of existing activities, such as housing rehabilitation and economic development, as noted earlier in the chapter. Cleveland, Seattle, and St. Louis are examples of communities where associates attributed shifts in fourth-year program priorities to the increased funds.

Capsule 5-7. Cleveland

Cleveland's fourth-year CDBG program marked a substantial departure from the first 3 years in both program content and targeting strategy. The fourth-year shifts to capital expenditures for housing rehabilitation and public works and the introduction of a substantial targeting emphasis represented political decisions more easily accomplished because of the 115-percent increase in the fourth-year entitlement. According to the associate, during the third year "the Cleveland program was primarily composed of rehabilitation, software services, and administrative salaries." In the fourth year, almost 63 percent of the block grant was allocated for housing and neighborhood improvements, more than double the 30-percent allocation in the third year. The shift to greater emphasis on public works improvements, parks, and recreational facilities satisfied the mayor's campaign promises to certain neighborhood groups to solve long standing sewer problems in the northeast section of the city and to provide recreational facilities on the west side. In addition, the fourth year "reflects an interesting basic change in orientation. For the first time, a targeting strategy was evident in proposed expenditures. Until the fourth year, the target areas remained broad, comprising approximately 75 percent of the city. The program was relatively unfocused and the public works program quite vague. In the fourth-year application, a substantial targeting emphasis was introduced and specific public works commitments were made." The area for all CDBG programs was reduced to 40 percent of the city's area. Other existing CDBG programs received substantial increases due to the doubling of the fourth-year entitlement. Police and demolition activities funding was doubled. Funds for nonprofit agencies remained about the same between the third and fourth years. In relative terms, however, social services decreased as a proportion of the total CDBG budget, from 18 percent in the third year to 9 percent in the fourth, because the entitlement doubled, however, the dollar amount remained about the same.

Capsule 5-8. St. Louis

St. Louis experienced some significant changes in program emphasis between the third and fourth years. These changes can be attributed to the more than 100-percent increase in the CDBG entitlement for the fourth year and to the greater assertiveness of the board of aldermen. In addition, because urban renewal continuation was less than 6 percent of the fourth-year allocations--down from almost 20 percent in the third year--"there were more resources to allocate elsewhere."

Almost one-half of the fourth-year allocation was earmarked for neighborhood improvements and housing, up from 34 percent in the third year. HUD had regarded housing rehab as "the major failing of the St. Louis program." Other than projects to improve public housing units, only very small allocations were made for a Home Loan Program and a High Risk Loan Fund during the third year. Because of the efforts of the board of aldermen, whose role in the CDBG program had been minimal during the first 3 years, allocations for housing substantially increased in the fourth year. As available resources more than doubled, the board of aldermen "forced upon the mayor and the Community Development Agency their Marshall Plan for housing--a comprehensive program for lower income residents--which raised the housing allocation to over \$13 million." The mayor's own preference for economic development increased the allocation for that program use by more than 500 percent, to almost \$3.5 million. All of these program shifts in the fourth year were "fundamentally due," according to the associate, to the doubling of the CDBG grant in the fourth year.

Capsule 5-9. Seattle

Seattle's program strategy for the first 3 years was based on the expectation of a reduction in funding under the 1974 formula to \$7.5 million. Instead, the dual formula increased Seattle's entitlement to \$16.2 million. The result was that Seattle altered several components of its original CDBG strategy. During the first 3 years, commitments were made to (1) bring urban renewal projects to completion; (2) continue, perhaps with modest increments, only those model cities services that had proved to be effective; and (3) initiate small capital improvements that could be completed within 1 or 2 years in marginally blighted areas. The revision of the CDBG formula "changes these signals." The increased entitlement allowed the continuation of many activities funded in prior years, and, in addition, led to

initiation of several large public improvement projects in severely blighted areas of the city. The areas had previously been listed as "low priority because of the city's strategy to concentrate its funds in only marginally blighted areas." Thus, Seattle was able to target more funds into specific areas of severe blight because of the increased fourth-year funding.

Phase-Down Losses

For eight formula entitlement cities and five nonmetropolitan communities receiving large hold-harmless grants, the fourth year brought a decline in grants, ranging from 10 percent to 40 percent below their third-year grant levels (table 5-11).

Although the losses to the formula entitlement cities may be high, they would have been even greater for most without the adoption of the dual formula. Grants for seven of the eight cities (excluding Scottsdale, Ariz.) from the second formula will be greater in the sixth year (when the formula system is fully phased in) than if the 1974 single formula allocation system had been retained.

Most of the "loser" jurisdictions had anticipated reductions from the hold-harmless levels. In the case of Lansing, Mich., the associate noted "programmatic cuts in all areas" as well as staff reductions. He added, "I don't think anyone can notice any sharp programmatic changes as a result of the decreased entitlement." The Boston associate reported that the major program effect was to reroute neighborhood capital projects scheduled for the fourth year to the city's capital budget. "Both the strain on the capital budget from court-mandated capital improvements and the city's weak position in the bond market were so much improved that this changeover was possible." In Newark, N.J., the major program change in the fourth year was a large cut in social services, from 24 percent to 15 percent of the grant. In Charlottesville, Va., a nonmetropolitan hold-harmless jurisdiction, the one-third grant reduction was cushioned by reprogramming \$256,000 from the first 3 program years to bring the total amount available for activities in the fourth year to \$940,000, only \$93,000 below the third-year grant.

Program Concentration for Neighborhood Revitalization

This section analyzes how sample jurisdictions have packaged CDBG-funded activities for neighborhood revitalization.

Table 5-11. Grant Entitlements to Sample Communities Losing More Than 10 Percent of Their Grant Funds Between Program Years 3 and 4

Jurisdiction	Grant entitlements (thousands of dollars)		Percentage decline
	Year 3	Year 4	
<hr/>			
<u>Formula entitlement</u> <u>cities</u>			
Atlanta, Ga.	16,377	13,927	15
Boston, Mass.	28,993	24,619	15
Denver, Colo.	13,729	11,946	13
Lansing, Mich.	6,196	4,409	29
Newark, N.J.	19,508	16,978	13
Portland, Maine	4,542	3,375	26
Rochester, N.Y.	13,940	12,493	10
Scottsdale, Ariz.	1,832	1,419	23
 <u>Nonmetropolitan</u> <u>hold-harmless cities</u>			
Alma, Mich.	529	347	34
Carbondale, Ill.	2,500	1,513	40 ^a
Charlottesville, Va.	1,033	684	34
Florence, S.C.	1,028	668	34
Marlborough, Mass.	1,068	695	34

Source: Community Development Budget, HUD Form 7015.5, part of the CDBG application.

a. Carbondale's phase-down exceeded one-third because the regular phase-down provisions coincided with the special provisions for separately phasing down the model cities portion of the hold-harmless grant.

We asked associates to designate which activities in the local application were, in their judgment, part of a CDBG-funded neighborhood revitalization package. We then aggregated these activities across 51 jurisdictions to determine the proportion of funds in each year that had been directed toward such a strategy.⁷ The analysis does not cover instances in which a single CDBG activity is part of neighborhood revitalization strategy funded from non-CDBG sources. For example, CDBG funds may be used to upgrade or develop a neighborhood park as part of a general area revitalization that also includes street and sidewalk repairs funded from local tax revenues and housing rehabilitation funded from the Federal 312 program. This analysis also does not cover allocations to continue work on downtown urban renewal projects where there are no other CDBG-funded projects. Because we did not include such activities in this analysis, program concentration overlaps but is not equated with geographic targeting; that is, this does not mean that funds not accounted for in our program concentration analysis are therefore being "spread" throughout the community.

As part of this discussion, we present data on the percentage of census tracts included in neighborhood revitalization projects to determine increases or decreases in the geographic distribution of these packaged activities over the 4 years. To some extent, the census tract data illustrate one aspect of the trend in geographic targeting.

Increases in Neighborhood Concentration

Over the 4 program years, there has been a trend toward a gradual concentration of CDBG-funded physical development and social service activities into neighborhood revitalization. In the first program year, an unweighted mean of 37 percent of CDBG funds was concentrated in neighborhood conservation areas; by the fourth year, this amount had increased to 48 percent (table 5-12). The largest increase for the sample as a whole, 6 percentage points, was between the second and third years. As noted in chapter 2, HUD efforts to increase neighborhood concentration were stepped up in the 1976 regulations, which may partly account for the increase between the second and third years. Further concentration may result from the 1978 regulations on NSA's, and

7. We excluded urban counties because it was not possible for associates in these jurisdictions to determine uniformly the neighborhood orientation of each activity in the many participating municipalities.

the neighborhood-oriented structure of the fifth-year application may also move jurisdictions toward program concentration. The final monitoring report will continue this analysis into the fifth and sixth years.

Neighborhood conservation activities, by the definition presented at the beginning of this chapter, is a program category directed entirely toward neighborhood revitalization. Also by definition, none of the general development activities were assigned to neighborhood revitalization. Of the six remaining program categories (the planning and administration category is not included), housing activities and social service facilities have the highest unweighted mean percentage of allocations going for neighborhood revitalization, each averaging more than 45 percent for such uses in the third and fourth years (table 5-13). Economic development is at the low end of the scale, with an average of only 20 percent of such activities oriented toward upgrading neighborhoods.

The dollar trends and the weighted mean of total sample dollars show a generally similar pattern, although the year-to-year changes are greater as the larger jurisdictions shift program priorities (table 5-13).

Table 5-12. Unweighted Mean Percentage of CDBG Funds Allocated for Neighborhood Revitalization Activities, by Type of Jurisdiction, Years 1 through 4

Type of jurisdiction ^a	Total jurisdictions ^b	Year 1	Year 2	Year 3	Year 4
Central cities	30	36	35	44	45
Satellite cities	12	34	49	51	53
Nonmetropolitan	9	41	47	46	45
Total	51	37	40	46	48

Source: Field research data.

a. Urban counties were not included in this analysis.

b. Because Pulaski County, Ill., did not receive funding in the fourth year, number of nonmetropolitan jurisdictions is reduced to 8 and the total number of jurisdictions to 50 for the fourth year.

Table 5-13. CDBG Funds Allocated for Neighborhood Conservation Activities, by Program Category, Years 1 through 4

Program category	Number of jurisdictions with allocations ^a	Thousands of dollars	Weighted mean percentage	Unweighted mean percentage
<u>Housing</u>				
Year 1	47	42,098	40	42
Year 2	48	56,326	49	44
Year 3	50	96,901	64	49
Year 4	48	170,309	65	50
<u>Urban Renewal continuation</u>				
Year 1	25	18,923	38	36
Year 2	26	16,593	20	20
Year 3	21	14,761	23	38
Year 4	20	9,758	25	27
<u>Economic development</u>				
Year 1	19	3,793	21	15
Year 2	25	7,402	32	23
Year 3	27	4,265	11	17
Year 4	25	17,718	33	22
<u>Social services</u>				
Year 1	32	12,071	23	18
Year 2	31	17,477	31	30
Year 3	32	25,674	45	35
Year 4	34	29,570	51	36
<u>Social service facilities</u>				
Year 1	29	4,353	17	32
Year 2	29	3,590	18	40
Year 3	24	2,732	29	46
Year 4	28	18,194	60	45
<u>Other public services and facilities</u>				
Year 1	19	13,232	55	27
Year 2	19	25,415	53	18
Year 3	22	28,432	69	37
Year 4	20	17,087	42	30

Source: Field research data.

a. Urban counties were not included in this analysis.

When we examine concentrated neighborhood activity by type of jurisdiction, the data show that over the 4 years the satellite cities have moved the greatest distance, increasing their concentration of program activity from 34 percent in the first year to 53 percent in the fourth year (table 5-12). Satellite cities have had a higher percentage of neighborhood-concentrated funds than either central cities or nonmetropolitan communities since the second program year. For the satellite cities, the greatest increase was between the first and second years; this was due in part to shifts by Greece, N.Y., and El Monte, Calif., from citywide projects to activities in smaller geographic areas. The central cities also increased their program concentration, but to a lesser degree, increasing only 9 percentage points, from 36 to 45 percent. The nonmetropolitan jurisdictions increased funding from 41 to 54 percent.

We also analyzed neighborhood concentration using the urban conditions index, and found better-off communities were more likely to direct large shares of their funds into neighborhood revitalization. For the 21 relatively affluent jurisdictions, the unweighted mean of funds allocated to neighborhood-oriented activities increased from 39 percent in the first year to 55 percent in the fourth year (table 5-14). As the degree of distress increases, the percentage of funds going to concentrated activities declined. Moderately distressed jurisdictions (those rating between 100 and 250 on the index) allocated 47 percent of their fourth-year funds to activities oriented toward neighborhood revitalization; the most distressed jurisdictions (ratings above 250) directed only 38 percent of their funds into the neighborhood-concentrated activities.

These results are not surprising. Because their problems are less severe, the better-off communities can more readily direct a larger share of their funds into smaller areas having the greatest needs. As indicated in chapter 3, the increase in concentration may have appeared in the better-off jurisdictions because targeting was an important issue in these jurisdictions and HUD had greater influence in the outcome. However, the more distressed communities generally may have to allocate funds for a wider range of needs and constituent demands across a larger geographic area, making it difficult to concentrate activities.

This neighborhood concentration pattern, based on a distressed conditions analysis, is supported by the data on allocations of activities to census tracts. The greater the distress of a community, the higher is the percentage of census tracts receiving some kind of CDBG-funded activity. In the census tract analysis, we counted how many tracts in a jurisdiction received at least one CDBG-funded activity.

This does not mean that each tract received an equal number of activities or that each activity was equal in dollar value; for example, one tract may have had only a small street repair activity while another tract may have had a large housing rehabilitation program.

As shown in table 5-15, after the first year the better-off jurisdictions undertook activities in about 40 percent of their census tracts in each program year; those at the 100 to 250 index level allocated funds to about half of their tracts; and at the most distressed level, about three-fourths of the census tracts received at least one activity.

This tract pattern is probably linked in large part to the income eligibility of the tracts. HUD defines a low-income tract as one in which the median family income is less than 50 percent of the income level of its metropolitan area; a moderate-income level is 51 percent to 80 percent of the metropolitan level. Thus, the better-off jurisdictions have fewer eligible low- and moderate-income tracts than the more distressed communities. This produces a seemingly anomalous result: The most distressed cities have the greatest geographic spreading of CDBG-funded activities.

Table 5-14. Unweighted Mean Percentage of CDBG Funds Allocated for Neighborhood Revitalization Activities, by Ranking on the Urban Conditions Index, Years 1 through 4

Ranking on urban conditions index ^a (mean = 100)	Number of jurisdictions ^a	Year 1	Year 2	Year 3	Year 4
Less than 100 (relatively affluent)	21	39	48	53	55
100 - 250 (moderately distressed)	16	41	42	49	47
250 and above (severely distressed)	14	27	27	33	38
Total	51	37	40	46	48

Source: Field research data.

a. Because Pulaski County, Ill., did not receive funding in the fourth year, the number of jurisdictions with an index above 250 is reduced to 13 and the total number of jurisdictions to 50 for the fourth year.

Table 5-15. Unweighted Mean Percentage of Census Tracts Receiving CDBG Allocations, by Ranking on Urban Conditions Index, Years 1 through 4

Ranking on urban conditions index	Number of jurisdictions	Year 1	Year 2	Year 3	Year 4
Less than 100 (relatively affluent)	18	27 ^a	37	43	40
100 - 250 (moderately distressed)	13	44	53	55	54
250 and above (severely distressed)	10	68	74	78	74
Total	41	42	51	55	53

Source: Field research data.

a. Greece, N.Y., and El Monte, Calif., made only citywide allocations in the first year, thus making this percentage low.

Linking the census tract analysis to the data on the concentration of funds shows that the better-off communities are concentrating a larger share of funds into a smaller geographic area while the more distressed jurisdictions are spreading a larger share of funds across a wider geographic area. As shown in table 5-15, in each category of the conditions index the percentage of tracts having an activity declined slightly between the third and fourth years. This may be related to HUD's targeting policies, but we cannot directly link the two occurrences. These patterns have implications for the NSA approach established in the 1978 regulations. Further program concentration through NSA's may produce still greater geographic targeting in the better-off communities, a result favored by advocates of increased program targeting. However, in the more distressed communities geographic targeting through the NSA approach becomes a greater problem. Reducing the geographic scope of the program through NSA's in some distressed communities may mean excluding or cutting back areas that normally might be eligible for CDBG activities. Alternatively, a community may have a large number of small NSA's spread across a side area or a small number of large

NSA's, thus reducing the overall effectiveness of neighborhood targeting. The monitoring research covering the fifth and sixth program years, when the NSA approach is more fully in operation, will examine these questions further.

Conclusion

Our general conclusion is that, across the sample, the kinds of CDBG activities being funded have not been detectably affected by HUD's expanded involvement in the decision-making process, although this may not be true in some communities. The pattern that emerged at the beginning of the program was that communities were using the increased flexibility of the block grant to emphasize housing activities and public improvements while deemphasizing large redevelopment activities and social services. This pattern continues.

However, as the program progresses, an important change is that communities are directing more funds toward concentrated neighborhood revitalization. This shift is seen in the preference for neighborhood improvements over general public improvements, the accelerated increases in housing activities, and the growing proportion of CDBG funds and activities being packaged for neighborhood revitalization. The data also show that the redirection of funds has been the greatest in the better-off suburban communities, where HUD's targeting policies have been most pervasive and where HUD's view has most frequently prevailed when targeting policies were at issue (chapter 3). Although we do not want to overstate cause and effect relationships, we believe that HUD's view on geographic targeting has influenced the areal distribution of CDBG activities. At the same time, the mix of activities appears to be largely determined by local decisionmaking and local factors. Also, when new money became available to some of the communities through formula distributions, local factors appear to have determined its use, with the major beneficiaries being housing, neighborhood public improvements, and economic development.

This suggests to us that considerable local autonomy still exists in choosing eligible CDBG activities, thus preserving much of the decentralizing purpose of the block grant; however, HUD's concern for national program objectives is having some influence on the geographic distribution of the activities within communities. In the next chapter, we discuss how income groups are affected by the distribution of CDBG activities.

Chapter 6

SOCIAL TARGETING

In the introduction, we explained that we chose targeting as the theme for this report because it was HUD's policy emphasis during the third and fourth program years and because it was a major influence and emerging program pattern in the sample communities. Chapter 3 reported that targeting was the most pervasive intergovernmental issue in the third and fourth years, particularly in the better-off communities of the sample. Chapter 4 noted that HUD's geographic targeting policies appeared to be linked to the growing activism of neighborhood-based organizations and to the somewhat diminished role of local legislatures, which in the past preferred to spread rather than target program benefits. At the program level, chapter 5 pointed to the continuing overall emphasis on housing and public improvements but noted a recent shift from general improvement projects to similar activities in neighborhood revitalization.

In this chapter, we examine how the program has affected the income groups that benefited from local program decisions; we refer to this as social targeting. As part of this analysis, we also present data on CDBG benefits allocated to areas with large proportions of black and Hispanic residents.

Lower Income Benefits

One of the most controversial issues of the CDBG program is social targeting, the distribution of program benefits among income groups. Since the program began in 1974, there has been a dispute over provisions of the law that seek to direct program benefits principally to low- and moderate-income persons and families. As discussed in chapter 2, this issue became a source of tension between HUD and the House of Representatives after Secretary Harris tried to direct more benefits to lower income groups. The Secretary believed the program should give priority to the social targeting provisions already in the CDBG law. The House saw the issue as twofold; they felt that (1) none of the multiple objectives of the program should receive priority over the others, and (2) establishing a fixed percentage of lower income benefits was contrary to congressional intent and also to another legislative goal, decentralized decisionmaking.

Before we present and discuss the research findings, it is necessary to explain the methodology used.

Methodology

To analysts of social targeting, the policy issue is only part of the problem. Even if all parties agreed on how much and what kind of social targeting was desired, the difficult problem of measuring the result would remain. We note the importance of the measurement problem here to caution policymakers and other readers against giving too much weight to particular findings on the distribution of CDBG benefits. Although the research is useful in clarifying issues, general patterns and trends, and some selective results, the measuring problem is so complex that the findings should be treated cautiously. For this reason, we view our measurement approach as an estimation technique.

In the first Brookings report on the CDBG program, field associates used a method based primarily on the overall income of residents of census tracts where projects were located. During the second-year monitoring, we concluded that this approach did not sufficiently discriminate among the benefits of the various CDBG activities, and it also overstated the importance of the dominant income group in each tract. To deal with these problems, we devised a new method for the third and fourth program years, which is shown as part of the field analysis form in appendix 2. Later, we asked the field associates to apply the same method to the first 2 program years. Their results allowed us to estimate longitudinally the patterns of benefit distribution over the 4 program years.

We must emphasize that the data are estimates of intended, not actual, allocations and benefits. The data are derived from grant applications approved by HUD and are not measures of expenditures. The application largely reflects how the local decisionmakers allocated funds. The adjustments to funding levels caused by HUD decisions after the initial approval, locally initiated changes, or program execution problems (see chapter 7) are not included in the analysis. The final report will analyze reprogramming for the 6 years of the block grant program.

For the social targeting analysis, the sample is 41 jurisdictions (29 central cities and 12 satellite cities). Because the method is based partially on data organized by census tracts, we could not analyze the full sample of 61 jurisdictions. New York City is not included because its application was prepared in a way that did not let us allocate substantial amounts of funds for 2 program years to individual census tracts. We excluded the nonmetropolitan jurisdictions because data in those areas are not collected on a census tract basis. We excluded the urban counties

because it was difficult to match the census tracts of the participating communities only and to collect detailed benefit data from individual municipalities receiving CDBG funds from the overlying entitlement county.

Income Group Categories. For this analysis, we established four income groups following the HUD method of using as the benchmark the 1970 median family income of the Standard Metropolitan Statistical Area (SMSA) in which a jurisdiction is located. The four income groups are as follows:

1. Low income: less than 50 percent of the SMSA median income.
2. Moderate income: 51 to 80 percent of the SMSA median income.
3. Middle income: 81 to 120 percent of the SMSA median income.
4. High income: 121 percent or more of the SMSA median income.

In addition, two other categories are included for allocating benefits:

5. Communitywide: activities that yield knowable direct benefits to the community as a whole but which are non-income specific; for example, widening a downtown arterial street.
6. Nonallocable: when income groups that benefit from the completed activity are unknown and unknowable; for example, road paving in a new industrial park in which neither the kind of firms nor the kinds of employees to be hired are known.

Because the income groups are relative to the SMSA in which they are located, there is no single set of dollar ranges for the different groups. In an SMSA with a median family income of \$10,000, the median income for the low-income group is less than \$5,000; in an SMSA with a median income of \$12,000, it is less than \$6,000.

What Is a Benefit? In this analysis, we are interested in who will benefit directly when the project is completed. We do not measure secondary or tertiary benefits. For example, in allocating income group benefits of a housing rehabilitation project, the associates considered the income group of the persons expected to occupy the housing units. Persons employed to do the repair work and the bank that made the rehabilitation loan also benefit from the project, but we did not measure these indirect benefits. The key terms are "direct" and "when completed." Although secondary and tertiary benefits are important in evaluating the total impact of the CDBG program, we believe that our analysis should concentrate on primary benefits.

Estimating Benefits. The method of estimating benefits to an income group is based on (1) income characteristics derived from census data, (2) decision rules on how to allocate benefits for different activities, and (3) informed judgments by the field associates about the benefits from individual CDBG activities. It is a three-step process.

1. Each field associate, working from the application initially approved by HUD, first disaggregates the community's program into individual activities and assigns each activity to one of nine program categories (for the categories, see chapter 5 and the report form, appendix 2).

2. The associate then considers the analytical decision rules, or assumptions, about the distribution of benefits from activities in each program category. The assumptions below are based on the income characteristics of census tracts or the community as a whole:

- Housing. Benefits are distributed among the four income groups on a proportional basis, based on the percentage of families in each group within each census tract.
- Neighborhood conservation. Same as housing.
- General development. Same as housing.
- Urban renewal continuation. Benefits are distributed among the four income groups on a proportional basis, based on the percentage of families in the four income groups within the jurisdiction.
- Social services. Benefits flow only to low- and moderate-income families and individuals.
- Social services facilities. Same as social services.

- Other public services and facilities. Same as housing.
- Economic development. Same as urban renewal continuation.
- Planning and administration. Benefits are nonallocable.

The decision rules assure that each field associate is judging his or her benefits decision against a uniform standard. These rules are not based on prior empirical research nor are they hypotheses to be proved or disproved; they are educated guesses.

In many communities, the application listed a single activity as going to more than one census tract. For example, an allocation might show that \$500,000 was to be used for housing rehabilitation in five census tracts. In such cases, the amount allocated to an individual tract was prorated on the basis of the type of activity. The prorating system used was as follows:

- Housing--

$$\frac{\text{Number of housing units in tract}}{\text{Number of housing units in project area}} \times \text{project dollars}$$

- Social services, social service facilities, public service facilities--

$$\frac{\text{Population of tract}}{\text{Population in project area}} \times \text{project dollars}$$

- Neighborhood conservation, general development, economic development, urban renewal continuation--

$$\frac{\text{Project dollars}}{\text{Number of tracts in project area}}$$

3. For each activity, the field associate must state whether he or she agrees or disagrees with the assumption about the benefit distribution. If the associate disagrees, he or she assigns a different benefit allocation and states the reason for doing so. For example, in one community the continuation of an urban renewal project may involve a downtown commercial redevelopment project; the associate may agree with the assumption that on completion, the project benefits will be distributed among the four income groups in proportion to their numbers in the community. An urban renewal project in another community, however, may be a neighborhood project focused on housing and infrastructure

improvements; in this case, the associate may disagree with the assumption and base the benefits analysis on the proportionate numbers in the census tracts of the renewal area rather than in the total jurisdiction. Another example is a housing rehabilitation project for which only low- and moderate-income persons can apply. In this case, all the benefits would be allocated to these groups rather than on a census tract proportionality basis.

Another basis for modifying the assumption would be a major change in the income mix of a census tract or the community since the 1970 census. If, for example, the percentage of lower income families in an area has significantly increased since 1970, the field associate may alter the distribution to reflect the change. The field associate may also change the benefits allocation in cases where program activity is located in a low-income area within a census tract that has a high proportion of higher income families, and where accepting the assumption would understate the lower income benefits; the opposite situation might also occur.

The associate may also decide that the benefits of a particular project cannot be allocated among income groups and classify the benefits as "communitywide" or "nonallocable." Funds for planning and administration automatically fall into the "nonallocable" category. Certain kinds of projects may also result in nonallocable benefits. For example, an urban renewal completion project may involve demolition and clearance in the hope that the cleared area will be used for housing or commercial development in the future. But if the final use is not known at the time of the field observation, the associate must classify the benefits as nonallocable.

This approach to benefits analysis is particularly suited to a monitoring study. It takes advantage of the associate's knowledge of the community and the program he or she is monitoring. It is based on uniform decision rules against which each associate makes an informed judgment. And most importantly, it allows the associates to modify the benefits assumptions.

Results

For the 41 jurisdictions analyzed, the targeting of benefits to low- and moderate-income groups has increased each year for the first 4 program years. As shown in table 6-1, the intended benefits to the two lower income groups increased from an unweighted mean of 54 percent of allocable

Table 6-1. Percentage of CDBG Allocations Among Income Groups, by Type of Jurisdiction, Years 1 through 4 (unweighted mean percentages)

Type of jurisdiction	N	Income group		
		Low-moderate	Middle-high	Community-wide
<u>Central cities</u>				
Year 1	29	57	34	9
Year 2	29	57	37	6
Year 3	29	62	33	5
Year 4	29	62	36	2
<u>Satellite cities</u>				
Year 1 ^a	12	46	35	11
Year 2	12	51	43	6
Year 3	12	54	39	7
Year 4	12	63	35	2
<u>Total</u>				
Year 1 ^a	41	54	35	9
Year 2	41	56	38	6
Year 3	41	60	34	6
Year 4	41	62	36	2

Source: Field research data.

a. First-year data do not add to 100 percent. The field associate for Greece, N.Y., reported that the entire allocation for that year was nonallocable to any income group.

benefits in the first year to 62 percent in the fourth year.¹ In dollar terms, low-moderate benefits increased from \$174.5 million to \$259 million over the 4 years (table 6-2), increasing the share of estimated lower income benefits from 59 percent to 64 percent of the sample dollars that could be allocated to income groups in the 41 jurisdictions. The benefits to the two upper income groups (middle and high) have remained relatively constant, ranging between an unweighted mean of 34 percent and 38 percent over the 4 years. Overall, the increase to the lower income groups was primarily the result of a decline in allocations to activities that benefit the community as a whole.

These findings are based on the allocations that associates were able to distribute among the income groups or citywide. While it might be assumed that the lower income groups shared in the citywide benefits, these benefits were not proportioned among income groups. Also, in each of the 4 years, the benefits of approximately one-fourth of the grant funds could not be allocated. When the income-group benefits are measured against the total grant (not just the allocable portion), the level of lower income benefits was 41 percent in the first year and 48 percent in the fourth year. Using the fourth year as an example, deciding whether to highlight the 62 percent of allocable dollars or the 48 percent of total dollars may be influenced by what the analyst is trying to prove about the social targeting effects of the program. We believe 62 percent is more appropriate for discussing the level of benefits; using the 48 percent figure understates low-moderate benefits because it assumes that none of the nonallocable benefits would go to lower income groups. It is more reasonable to assume that the nonallocable benefits would be distributed in the same proportion as the allocable benefits; that is, 62 percent of the nonallocable funds would also benefit lower income groups. This could vary substantially in either direction in individual communities, depending on the specific activities for which the benefits could not be determined. However, about half of the nonallocable funds are for general planning and administration, and a reasonable rule of thumb for distributing benefits from these activities is that lower income groups benefit in the same proportion as they benefit from allocable funds.

We emphasize that our analysis of intended benefits is based on the allocable portion of funds; the benefits to the lower income groups increased from an unweighted mean of 54 percent to 62 percent over the first 4 program years.

1. See previous chapter for an explanation of our use of unweighted means.

Table 6-2. Allocations to Low- and Moderate-Income Groups
(weighted mean percentages)

Type of jurisdiction	Allocable amount	Allocation to low-moderate (thousands of dollars) ^a	Percent
<u>Central cities</u>			
Year 1	282,525	166,690	59
Year 2	293,507	181,974	62
Year 3	306,469	196,140	64
Year 4	383,908	245,701	64
<u>Satellite cities</u>			
Year 1	13,286	7,042	53
Year 2	15,823	7,753	40
Year 3	19,325	10,435	54
Year 4	20,780	12,676	61
<u>Total</u>			
Year 1	295,811	174,528	59
Year 2	309,330	191,784	62
Year 3	325,794	208,508	64
Year 4	404,688	259,000	64

Source: Field research data.

a. Annual allocations of central and satellite cities do not add to the total because of rounding.

Central and Satellite Cities. The general trend toward greater social targeting is largely accounted for by the increasing levels of low-moderate benefits in the satellite cities.

As shown in table 6-1, the level of social targeting in the satellite cities increased from an unweighted mean of 46 percent in the first year to 63 percent in the fourth year, a net increase of 17 percentage points. The single largest increase in these jurisdictions was in the fourth program year, which showed an increase of 9 percentage points over the third year. As a result, in the fourth program year the level of social targeting among the sample satellite cities was 1 percentage point higher than that of the central cities. A similar pattern was found in the dollar allocations of the satellite cities. The amount of allocations increased from \$7 million to \$12.7 million over the 4 years, and the share of dollars (weighted mean) increased from a low of 49 percent in the second year to 61 percent in the fourth year, with the greatest increase (7 percentage points) coming between the third and fourth years (table 6-2).

Among the central cities, the level of lower income benefits also increased during the first 4 years of the program, but at a slower rate than that of the satellite cities. The increase was from an unweighted mean of 57 percent in the first year to 62 percent in the fourth year, a net change of 5 percentage points. In dollar terms, the increase was from \$166.7 million in the first year to \$245.7 million in the fourth year, an increase in the weighted mean from 59 percent to 64 percent.

For the satellite cities, the increase in lower income benefits came as a result of decreases in allocations to activities that had citywide and higher income group benefits (table 6-1). In the central cities, benefits to the two higher income groups have been relatively constant, while citywide benefits have declined.

The increases in allocable benefits to the two lower income groups have been accompanied by a decline in the number of sample jurisdictions that allocated less than half of their program benefits to these groups (table 6-3). In the first year, 15 of the 41 sample jurisdictions had low-moderate benefits of less than 50 percent; in the second year, this increased to 16; in the third year, the number of such jurisdictions dropped to 9, and then declined to only 4 in the fourth year. The decline was most evident among the satellite cities. In the first year, 7 of 12 satellite cities in the sample allocated less than half of their funds for low-moderate benefits; in the fourth program year, only

Table 6-3. Percentage of Low-Moderate Income Benefits in 41 Central and Satellite Cities, by Number of Jurisdictions

Low-moderate benefits (percent)	Number of jurisdictions							
	Year 1		Year 2		Year 3		Year 4	
	Central cities	Satellite cities	Central cities	Satellite cities	Central cities	Satellite cities	Central cities	Satellite cities
0 - 24.99	1	2	0	0	0	0	0	0
25 - 49.99	7	5	8	8	3	5	3	1
50 - 74.99	19	3	20	2	20	7	22	8
More than 75	2	2	1	2	6	0	4	3
Total	29	12	29	12	29	12	29	12

Source: Field research data.

one was below the 50-percent level. Among the 29 central cities in the social targeting sample, 8 were below the 50-percent level in the first year; this number declined to 3 in the fourth year.

Here we must emphasize that although the absolute percentage numbers are useful, the more significant meaning of the data is the trend, both overall and between the two types of jurisdictions. Some observers may see the overall change in the unweighted mean over 4 years as an incremental change unrelated to specific policy emphasis. And, to some extent, the large percentage point increase in the satellite cities between the first and fourth years may be because there are only 12 such jurisdictions in the sample. However, the reversal of a slight upward trend of the first 2 years and the sharp decline in the number of both central and satellite cities below the 50-percent level in the third and fourth years indicates that there has been an important, broad shift upward in benefit levels in these cities. We believe this is important evidence of the impact of the social targeting policy that was actively implemented in the third and fourth years.

Urban Conditions. As stated above, the data show that the overall increase in social targeting was caused primarily by increased benefit levels in the satellite cities. When we use the urban conditions index as a measure of distress (see chapter 3 for a discussion of this index), we see that among the satellite cities, the most significant increases in lower income benefits have been in the better-off suburban cities. As table 6-4 shows, the eight satellite cities below the index mean (and thus better off) raised their level of lower income benefits from an unweighted mean of 40 percent in the first year to 63 percent in the fourth year, an increase of 23 percentage points. The largest increases were between the first and second years and the third and fourth years. Except for the second program year, the distressed satellite cities had a higher social targeting level each program year, with an overall increase of 7 percentage points between the first and fourth years. As a result of this pattern of change among the distressed and better-off satellite cities, in the fourth program year there was a difference of only one percentage point between the two groups. A note of caution: Because of the small number of satellite cities in each category, a large change in only one jurisdiction can greatly influence the unweighted mean of the group.

For central cities, the urban conditions data show that as groups, neither the better-off nor the distressed cities significantly changed their benefit patterns. Both groups of central cities have had social targeting levels above an

unweighted mean of 50 percent during the 4 program years and show only relatively small increases between the first and fourth years. For distressed central cities, the increase was from 57 percent to 63 percent; for other jurisdictions, the increase was from 57 percent to 61 percent.

Whether one distinguishes by the type of jurisdiction (central or satellite city), the level of distress, or both, the data show that the sample jurisdictions are becoming more and more alike in their degree of social targeting. This convergence is evident in the coefficient of variation, which decreased from .38 in the first year to .17 in the fourth year, showing that the sample jurisdictions are tending to cluster more closely around the mean, which in the fourth year was above 60 percent.

Analysis of Social Targeting

The increase in social targeting appears to be the result of HUD's emphasis on this goal. The field reports and data show that in a few communities the increase of lower income benefits started as early as the second program year. However, HUD's broader impact appears to have come during the third and fourth years of the program as the Harris-Embry emphasis on social targeting, discussed in chapter 2, began to have some effect and as the number of communities with lower income benefits below the 50-percent level decreased substantially.

Table 6-4. Percentage of CDBG Allocations to Lower Income Groups, by Level of Community Distress, Years 1 through 4 (unweighted mean percentages)

Urban conditions index level	Total jurisdictions	Program Year			
		1	2	3	4
<u>Central cities</u>					
Below mean	10	57	56	62	61
Above mean	19	57	58	62	63
<u>Satellite cities</u>					
Below mean	8	40	53	51	63
Above mean	4	57	48	60	64
<u>Total</u>					
Below mean	18	49	55	57	62
Above mean	23	57	56	62	63

Source: Field research data.

Note: Cities above the mean are relatively distressed; those below the mean are relatively well off.

Although the decisionmaking processes, both intergovernmental and local, are too complex to link HUD directly with program decisions, the intergovernmental analysis in chapter 3 suggests strongly that both HUD area officials and local decisionmakers became more aware of the social targeting issue in a way that increased lower income benefits. Our analysis noted that HUD's role in the local decisionmaking process has been steadily growing. One aspect of this expanding role was HUD's growing involvement with the recipient jurisdictions on social targeting issues during the third and fourth years.

The social targeting issues involved more sample jurisdictions than any other issue; this was in contrast to the first 2 program years, when compliance issues such as equal opportunity dominated the intergovernmental scene. The social targeting issue affected all communities, but it occurred more often in the suburban jurisdictions than in the central cities. Also, as discussed in chapter 3, of the three strategy issues, social targeting was the one in which HUD's view prevailed most frequently, particularly in the suburbs. The data indicate that the higher incidence of the social targeting issue and the greater HUD success rate in the satellite cities account for the increase in social targeting in this type of jurisdiction between the third and fourth years.

In the central cities, the social targeting issue was raised less frequently and HUD's influence was not as strong as it was in the satellite cities. This may have been because central cities had been allocating a large share of benefits to lower income groups since the program's start; therefore, HUD did not press social targeting as much in central cities generally, although there were exceptions.

Program complexity may also explain the difference in the rate of change between the two types of jurisdictions. The larger central cities, particularly the distressed ones, and some distressed satellite cities usually have more complex CDBG programs; that is, they include several aspects, such as housing, neighborhood conservation, social services, economic development, and urban renewal continuation. This mix reflects the range of problems generally found in distressed jurisdictions and frequently means that the program allocations are the product of a bargaining process to satisfy the demands of various participants, both governmental and nongovernmental. The mix may also reflect commitments to continue or complete programs started under the categorical grants. Therefore, even where HUD or local participants try to redirect program goals, changes may take longer to achieve and are likely to be incremental.

The opposite conditions tend to prevail in the smaller, better-off jurisdictions. In those communities, there were fewer problems and the programs were less complex; funds were usually concentrated in a few program categories, initially general development or housing and neighborhood conservation activities. In some cases, direct HUD pressure led to a quick and early shift from general development to housing and neighborhood conservation activities in lower income areas and a consequent rise in low- and moderate-income benefits. In other cases, local decisionmakers may have been aware of the direction in which HUD was moving the program and altered program content without direct HUD intervention.

Program and Benefits. Regardless of the type of jurisdiction or the level of distress, a relationship appears to exist between the program categories funded and the income group benefits (table 6-5). Social services, social service facilities, and housing programs (rehabilitation, counseling, and deconcentration projects) generally yield low-moderate benefits above an unweighted mean of 50 percent, with social services and facilities falling in the 80 percent to 90 percent benefit range. General development, urban renewal continuation, and economic development activities generally have low-moderate benefit levels of less than 50 percent. Overall, the low-moderate benefits from neighborhood conservation activities are just above the 50-percent level, although these activities usually produce low-moderate benefits above the 50-percent level in central cities but below that level in satellite cities. In the public services and facilities category, the low-moderate benefits across the sample were below the 50-percent level in the first 3 years but were above 50 percent by the fourth year. Thus, although specific activities in a community may affect benefit levels, generally the mix of program categories and the proportion of funds allocated influence the estimated benefit outcome.

The benefit level of some program categories is partly explained by the kind of benefit that results from a particular activity. Social service and housing activities generally yield personal benefits that can be more easily directed to individuals and families in the target income group; for example, setting the income eligibility level for rehabilitation loans and grants at a certain level can channel most of the assistance to lower income persons. Neighborhood conservation and general public improvements generally yield service area or locational benefits. All residents, regardless of income level, living in the neighborhood or area may benefit from the improvements, such as a park development project serving a mixed-income area of a city. The nature of locational benefits and how they are calculated may partially explain why central cities have greater benefits from neighborhood conservation and general improvement activities than do

Table 6-5. Percentages of Income Group Benefits, by Program Category, Years 1 through 4 (unweighted mean percentages)

Program category	Central cities			Satellite cities			Total		
	Low-moderate	Middle-high	City-wide	Low-moderate	Middle-high	City-wide	Low-moderate	Middle-high	City-wide
<u>Housing</u>									
Year 1	61	33	6	56	44	0	59	36	5
Year 2	64	35	1	58	34	8	62	35	3
Year 3	68	31	1	60	34	6	66	32	2
Year 4	68	32	0	69	28	3	68	30	1
<u>Neighborhood conservation</u>									
Year 1	56	42	2	41	54	5	53	45	2
Year 2	55	44	1	41	59	0	51	48	1
Year 3	57	41	2	44	52	4	53	44	3
Year 4	57	42	1	48	52	0	54	45	1
<u>General development</u>									
Year 1	38	33	29	23	43	34	35	36	29
Year 2	43	36	21	37	62	0	42	42	16
Year 3	49	33	18	30	50	20	43	36	19
Year 4	40	32	28	41	46	13	40	35	25
<u>Urban renewal continuation</u>									
Year 1	48	49	3	64	36	0	50	47	3
Year 2	43	49	7	55	45	0	45	48	6
Year 3	45	43	12	45	55	0	45	45	10
Year 4	47	43	10	45	55	0	47	44	9
<u>Economic development</u>									
Year 1	42	51	7	45	55	0	42	51	4
Year 2	37	52	11	34	66	0	37	53	7
Year 3	48	48	4	30	51	19	42	49	10
Year 4	46	47	7	61	39	0	49	45	9
<u>Social services</u>									
Year 1	89	1	10	60	7	33	84	2	14
Year 2	92	3	5	88	2	10	91	3	6
Year 3	97	3	0	97	2	1	97	2	1
Year 4	97	2	1	98	2	0	97	2	1
<u>Social service facilities</u>									
Year 1	94	4	2	70	10	20	89	5	6
Year 2	88	3	9	90	10	0	89	5	6
Year 3	82	9	9	85	12	3	83	10	7
Year 4	96	4	0	94	6	0	95	4	1
<u>Public services/facilities</u>									
Year 1	48	42	10	38	28	34	46	38	16
Year 2	49	42	9	15	21	64	41	37	22
Year 3	48	43	9	55	12	33	50	37	13
Year 4	56	43	1	61	39	0	57	42	1

Source: Field research data.

satellite cities. With some exceptions, central cities usually have higher concentrations of lower income residents than do satellite cities. Therefore, the proportionality rules of the estimating method will tend to give more locational benefits to lower income groups in central cities than in satellite cities. Depending on the kind of activity, economic development and urban renewal continuation activities might yield either personal or locational benefits.

It might be argued that the distribution of benefits among the types of programs in the different jurisdictions is thus determined by the decision rules relative to the fixed income mix, and a different set of decision rules would alter the outcome. However, this is where the monitoring approach and the informed judgments of the field associates become important. If the decision rules presented earlier were applied without an opportunity for modification, in any one year the proportionality rules of the estimating method would favor the central cities because these cities have higher concentrations of lower income groups. It would also mean that between years, the benefit level for any jurisdiction would change only if the program mix or location of activities changed, because the underlying census characteristics are unaltered between years. However, the ability and willingness of the field associates to disagree with the decision rules prevents this "fixed" outcome. In the first year, there were 1,106 separate CDBG activities in the 41 sample cities of the targeting analysis; of these, the field associates rejected the decision rules in 259 instances, or nearly 25 percent of the time. In the fourth year, there were 1,602 activities in the applications, and the associates rejected 469, nearly 30 percent. In dollar terms, over the 4 years they rejected activities involving about 20 percent of the money each year. In the first year, the most disagreements were with general development (28 percent of 259 exceptions), housing (21 percent), and social services (15 percent). In the fourth year, associates modified decisions on social services (26 percent of 469 objections), housing (23 percent), and neighborhood conservation (12 percent). Given the willingness of associates to differ from the decision rules, we believe the monitoring approach is yielding a reasonable estimation of benefit patterns and trends.

Sample cities appear to be favoring programs that increase low-moderate benefits. Fewer jurisdictions are allocating funds to the two program categories that yield the lowest level of lower income benefits--general development and urban renewal continuation. Jurisdictions that still spend money for these purposes are cutting their allocations, as shown in table 6-6. Urban renewal continuation shows a similar pattern--the share of allocations has declined, as has the number of communities making such allocations.

Table 6-6. Number of Metropolitan Jurisdictions Making Allocations to Program Categories and Unweighted Mean Percentage Allocated, Years 1 through 4

Program category	Year 1		Year 2		Year 3		Year 4	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Housing	37	27	39	22	40	22	40	29
Neighborhood conservation	31	20	35	21	38	24	39	24
General development	28	18	28	17	23	10	24	6
Urban renewal continuation	23	24	23	24	17	24	16	14
Economic development	16	6	22	6	24	10	22	9
Social services	28	10	27	10	28	13	30	10
Social service facilities	25	7	25	8	19	5	26	7
Public services and facilities	14	8	16	10	18	7	19	7

Source: Field research data.

Economic development also yields a lower level of benefits to low- and moderate-income groups, but it has not followed the trend described above. In this category, the share of allocations of jurisdictions with such programs has increased from an unweighted mean of 6 percent in the first year to 9 percent in the fourth year; a high of 10 percent occurred in the third program year. The number of sample cities allocating funds to economic development activities increased from 16 to 21 over the 4 years.

Activities that yield higher benefit levels to low- and moderate-income groups have either increased or remained relatively constant.

Overall, the best way to increase the level of social targeting is to encourage increased funding for program categories that yield more benefits to lower income groups. As urban renewal programs are completed, more communities may be able to divert funds to activities with greater social targeting impact; however, less money is being allocated to old urban renewal projects, so the share of funds being freed up for allocation to other activities is diminishing. Also, the increase in economic development projects could offset some of the program shifts favoring more lower income benefits, depending on the type of such projects.

In sum, further substantial increases in benefits to low- and moderate-income groups may be possible but would probably require a major change in the mix of activities by communities. To the extent that the program mix becomes institutionalized by communities, with only marginal changes made each year, benefit changes may also be marginal. We will analyze programmatic institutionalization at the local level in our final report.

origin in the 1970 census. These allocations are to areas, not necessarily to the residents of areas. Because we analyzed only areas with high proportions of minority residents, however, it is likely that a significant portion of the benefits go to the minority population.

2. Because the number of minority areas has increased in some sample cities since 1970, the allocations analysis probably understates both the number of minority tracts having CDBG activities and the dollar allocations to such areas.

3. A black resident is defined as any individual who, in the 1970 census, said he or she was of the Negro race. An Hispanic includes individuals who said they were part of any or all of the following social groups: Spanish-speaking, of Spanish mother tongue, of Spanish surname, or of Puerto Rican birth or parentage. The black and Hispanic groups, as defined in the 1970 census, are not mutually exclusive; for example, a black individual of Puerto Rican birth would be counted under both minority groups. The 1970 census made no provision for the breakdown of the Hispanic group by race. This analysis provides separate figures for allocations to heavily black and Hispanic areas, but the separate population counts could not be added to obtain a "total" minority figure.

4. Our discussion of allocations to minority areas is based on the 41 central and satellite cities.

Minority Distributions in the Sample Cities

For the 41 sample jurisdictions, the unweighted mean percentage of the black population in 1970 was 17.6 percent; for Hispanics it was 8.3 percent. For the central cities, the unweighted means for blacks and Hispanics were 19.8 percent and 6.8 percent, respectively. The percentages for blacks and Hispanics in satellite cities were 10 percent and 9.2 percent, respectively.

Of the sample cities, 30 had at least one area with a high percentage of minority population. Of these, 27 had one or more heavily black tracts; 12 had one or more heavily Hispanic tracts (see table 6-7). Nor surprisingly, areas with high proportions of minority residents were found more frequently in central cities than in satellite cities; nearly 90 percent of the sample central cities had at least one such area, compared with half the satellite cities. There are 4,240 census tracts in the 30 jurisdictions. Of these, 1,140 (27 percent) are heavily black, and 339 (8 percent) are heavily Hispanic.

Table 6-7. Number of Sample Jurisdictions Containing Census Tracts with Large Proportions of Minorities

Type of jurisdiction	Black	Hispanic
Central cities	22	11
Satellite cities	5	1
Total	27	12

Source: Calculated from 1970 census tapes.

Allocations

Number of Tracts. In the 30 jurisdictions with minority areas, the total number of tracts receiving at least one CDBG activity increased from 1,758 in the first year to 2,210 in the fourth year, or an increase from 41 percent to 52 percent.

For both black and Hispanic tracts, there were also increases in the percentage of tracts receiving CDBG funds (table 6-8). In the first year, 667 of the 1,758 tracts (38 percent) receiving allocations were heavily black. In the fourth year, the number of heavily black tracts receiving funds increased to 886 (40 percent).

The data for allocations to Hispanic tracts show similar trends. In the first year, 144 of the tracts (8 percent) receiving funds were heavily Hispanic; in the fourth year, the number of such tracts receiving projects increased to 233 (11 percent).

Overall, over the 4 years the minority tracts did better than the nonminority tracts. Of the 4,240 total tracts in the 30 cities, 1,479 were minority and 2,761 tracts were not. In the first year, 34 percent of the tracts that were not heavily minority were allocated activities, compared with 58 percent of the heavily black tracts and 42 percent of the heavily Hispanic tracts. In the fourth year, 40 percent of the tracts that were not heavily minority received activities, compared with 77 percent of the black tracts and 69 percent of the Hispanic tracts. Although the number of tracts allocated activities increased by 26 percent between the first and fourth years, the number of black tracts receiving projects increased by 32 percent and the number of Hispanic tracts, by 62 percent.

Table 6-8. Number and Percentage of Census Tracts Receiving CDBG Allocations in 30 Cities, Years 1 through 4

	Year 1		Year 2		Year 3		Year 4	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total tracts receiving allocations	1,758	41	2,147	51	2,379	56	2,210	52
Minority tracts	811	46	967	45	1,108	47	1,119	51
Black	667	38	762	35	874	37	886	40
Hispanic	144	8	205	10	234	10	233	11

Source: Field research data.

Note: Minority tracts are those in which the minority group makes up at least 30 percent of the population.

Dollars. In analyzing the amount of dollars going to minority census tracts, we counted only allocable dollars. These are funds for activities for which the local application included a specific census tract location; funds for communitywide activities are not included, although in many instances some portion of these funds were spent in the minority tracts. If an activity involved more than one census tract, then we used the prorating system described earlier in this chapter.

For jurisdictions with minority tracts, the total dollars allocated to black tracts was \$124.1 million in the first year (table 6-9), an unweighted mean of 44 percent. In the fourth year, the allocable dollars increased to \$173.8 million, and the share declined slightly to an unweighted mean of 43 percent. In the first year, \$32.8 million was allocated to heavily Hispanic tracts, an unweighted mean of 12 percent; in the fourth year, the dollars allocated increased to \$49.7 million and the unweighted mean remained constant at 12 percent.

The central cities decreased allocations to minority tracts between the first and fourth years. The unweighted mean for the 24 central cities declined from 48 percent to 43 percent between the first and fourth years in the black tracts and from 17 percent to 16 percent in the Hispanic areas. This effect may have resulted from the decline of the model cities program and urban renewal spending as funds were shifted to wider geographic areas. Although the data are derived from only six satellite cities with heavily minority tracts, the unweighted mean of these jurisdictions showed an increase in the heavily black tracts from 37 percent to 49 percent; in the Hispanic tracts, the increase was from 2 percent to 8 percent. This pattern is similar to the one noted in our analysis on targeting to income groups, in which the satellite cities accounted for much of the increase over the 4-year period.

Patterns of Minority Benefits

In examining the trends of benefits to minority areas, we found that the increase in the number of minority census tracts receiving allocations occurred mostly in the second and third program years; there was little change in the fourth year. The large, early increases probably reflect the expansion of the block grant beyond the urban renewal and model cities areas into other parts of the community. To the extent that there were heavily minority areas that had not been included in the earlier categorical programs but had similar physical development and social service needs, this

geographic expansion would appear to be a positive trend; in this sense, geographic spreading may mean better social targeting. By the fourth year, this expansion had slowed and the number of minority tracts receiving funds had stabilized. At the time of this stabilization, 7 percent of the black and 69 percent of the Hispanic census tracts in the 30 cities with such tracts were allocated at least one CDBG activity.

In our final report, covering the fifth and sixth years, we will further analyze this trend to see if the geographic coverage of the minority tracts has renewed its increase, remained stable, or started to decline. A downward trend could occur as urban renewal projects in minority areas are completed and the freed-up funds are directed into other minority tracts already having CDBG activities or into areas with smaller proportions of minority residents.

In dollar terms, allocations to black areas showed an accelerating percentage growth over the 4 years, increasing by increments of 9.6 percent, 10.7 percent, and 16.2 percent. The Hispanic tracts showed a similar trend until the fourth year, when allocations dropped by about 11 percent (\$6 million). A large part of this decline, almost \$4 million, occurred in Phoenix, where a large drop in allocations for urban renewal continuation may have resulted in the lower dollar amount going to the Hispanic tracts. In the third year, Phoenix allocated 59 percent of its grant for urban renewal continuation; in the fourth year, it allocated only 12 percent.

Because of the overlap between income group targeting and allocations to minority tracts, the trends are similar and appear to be affected by the same HUD policy influences and the mix of program activities chosen by the communities.

Table 6-9. Allocations to Minority Census Tracts, Years 1 through 4

Census tract	Thousands of dollars			
	Year 1	Year 2	Year 3	Year 4
Black	124,100	136,117	149,575	173,800
Hispanic	32,805	42,042	55,742	49,659
Total	156,905	178,159	205,317	223,459

Source: Field research data.

Note: Minority tracts are those in which the minority group makes up at least 30 percent of the population.

Conclusion

Benefits to lower income groups have increased. It is not clear, however, whether this trend will continue or whether the level of social targeting has reached a plateau, with most jurisdictions devoting an average level of 60 percent to 65 percent of their benefits to lower income groups. The sample jurisdictions in general may find it difficult to substantially increase this level, although this may not be the case with individual communities. Sample jurisdictions with the lowest benefit levels in the earlier years have now reached or are approaching the sample average. Two factors are likely to determine the future level of lower income benefits.

The first is program choices made by communities. Certain types of activities usually result in a higher level of benefits to low- and moderate-income groups. However, it is not yet clear what the "final" program mix will be among the sample communities. Chapter 5 showed the patterns that have emerged over the first 4 years, but because of the large variations among program years in individual communities we cannot yet predict what the final mix will be. The influence of HUD's targeting policies and the large annual increments that some communities have experienced (because of the phasing-in period in the first 3 years and the dual formula impact in the fourth year) influenced program choices and strategies in some communities. As noted earlier, our final report will focus on the program mix of the fifth and sixth years to see if the local programs have become institutionalized and incremental, or if large variations in program choices are still common. This analysis may let us estimate future benefit patterns and trends.

The second major variable is Federal "policy preference." Our analysis showed that the Harris-Embry emphasis on social targeting has been an important variable in the broad, upward shift of lower income benefits. As discussed in chapter 2, however, the Harris-Embry approach to implementation, using fixed percentages, was not well received by some important members of the House of Representatives and the final regulations were softened. Change among top officials within HUD itself could bring about a policy preference less oriented toward the social targeting goal; conversely, the policy preference could be for even more targeting. To the extent that particular activities become part of the basic program structure, however, the same incrementalism that may limit large increases may also limit large decreases, regardless of the direction of Federal policy preference and regulations.

CHAPTER 7

PROGRAM EXECUTION¹

How rapidly have local jurisdictions carried out their CDBG plans? This chapter focuses on the progress or lack of progress in carrying out CDBG activities during the first 4 program years and how to measure that progress.

Brookings became involved in program execution and performance in December 1978 when asked by HUD to analyze these areas to supplement the Department's program evaluation research. The short-term aim of this review was to provide material for HUD's fourth annual report on the CDBG program and to assess indicators of progress for possible use in HUD's grantee performance reports and other review documents. The long-term purpose is to consider program execution and performance issues in a way that will help researchers undertake longitudinal monitoring and evaluation research studies on these issues.

HUD officials, 12 field associates, and other researchers met at a 2-day conference in early 1979 to discuss these issues.² We selected 24 jurisdictions for the program execution study from the 61 communities included in the Brookings CDBG monitoring study (see list in appendix 5). Because this analysis was exploratory and because of the time constraints involved, the sample was limited to a smaller cross-section of the full sample. Of the 24 jurisdictions, 15 were central cities, 5 were satellite cities, and 4 were urban counties.

1. The major part of this chapter is taken from a Brookings report, "Program Execution Under the Community Development Block Grant: An Exploratory Analysis," by Michael J. Rich (to be published by the Department of Housing and Urban Development), April 27, 1979.

2. See "The Brookings Institution Workshop on CDBG Execution and Performance," edited transcript (to be published by the Department of Housing and Urban Development), March 22, 1979.

In preparation for the conference, the staff of the Monitoring Studies Group developed a discussion paper (appendix 6) that focused the conference discussion on three subjects: (1) CDBG program execution, (2) CDBG program performance, and (3) CDBG program effectiveness. As used in the discussion paper, "program execution" means the way in which the jurisdictions carried out their CDBG programs; it does not relate to the impact or quality of a program. "Program performance" refers to the outputs of the CDBG program in relation to program objectives and local community development needs. "Program effectiveness" refers to the extent to which the desired outcomes have been achieved in terms of the costs and benefits of the program outputs.

Although conference participants discussed all three types of analysis, the summary report and this chapter are limited to program execution. The analysis is based primarily on a special report form (appendix 7) completed by the associates who attended the conference.

The chapter has two sections: (1) a discussion of the problems encountered in implementing CDBG, and (2) a discussion of the use of local rates of expenditure of CDBG funds as a measure of program progress.

Types of Problems

We classified problems cited by the associates into three categories--local administrative problems, problems of intergovernmental coordination, and unanticipated costs. Because of time constraints, we were not able to design the report form in a way that would result in uniform responses from each associate on a wide range of possible execution problems. Therefore, the following analysis presents the execution problems as examples of problems, not as a count of frequency of occurrence across the sample.

Local Administrative Problems

Associates reported that local administrative problems were the most frequent reasons for delay in program execution. Two types of administrative problems predominated: (1) lack of prior experience with HUD categorical programs, and problems with program design, and (2) inability of the CDBG

administering agency to obtain cooperation from line departments, other local agencies, and the private sector.

Lack of Experience/Program Design Problems. Jurisdictions with limited HUD experience or communities that undertook different types of community development activities with their block grant funds frequently encountered delays because they lacked the expertise and administrative capacity to carry out new activities. For example, in New York City, which had extensive categorical grant experience, the Department of Housing Preservation and Development (HPD) was given responsibility for the city's CDBG housing programs. However, the department was traditionally an agency for new-housing construction and has responded slowly to its housing rehabilitation assignment. The associate reported that "HPD has neither a group of people with experience in underwriting rehabilitation loans nor a group of people with experience in rehab production."

Lack of experience was especially evident in Phoenix. It had limited categorical experience and faced difficult problems in carrying out new community development activities with its CDBG funds.

Capsule 7-1. Phoenix

Phoenix's previous experience with housing and neighborhood conservation activities prior to CDBG was limited to one project funded under the Neighborhood Development Program (NDP). Largely because of the city's lack of experience and the rapid influx of funds (the city increased from a \$1.3 million hold-harmless base to a total of more than \$18 million in CDBG entitlements for the first 3 years of the program as the city was phased up to its full formula amount), the city ended its third program year with \$3.4 million of unspent funds. The associate reported that the unspent amount would have been even larger had the city not reprogramed much of its first and second year money.

Because of the city's experience with the NDP project (staff members familiar with these activities were already in place), much of the money from new CDBG projects that was not being spent was reprogramed to complete the NDP project. For example, almost \$1 million was transferred to the NDP during the first and second years. In addition, almost \$1 million of the \$3.4 million surplus has been allocated to the NDP. As a result, more than \$12 million of the city's \$18 million in CDBG entitlements during the first 3 years has been used for acquisition, relocation, and demolition and clearance activities to complete the NDP project.

As the NDP project nears completion (most of the land has been acquired, families and businesses relocated, buildings demolished), earlier execution problems that were masked by reprogramming have reemerged. Most of the city's new housing and neighborhood conservation projects have not gotten off the ground. For example, the city's neighborhood housing services program has been hindered by the lack of experienced staff to sell the program's objective to residents. Other delayed programs include the city's housing rehabilitation program, housing counseling services, neighborhood improvements, and acquisition and development for a variety of community service centers.

The associate reported that one city official attributes these execution problems to the city's inability to follow up planning with good management (e.g., scheduling, monitoring, evaluation) for several projects simultaneously. The associate noted, "Aside from the Booker T. Washington NDP project, which has moved forward at a relatively strong pace, the city has had little experience and success in neighborhood conservation activity."

Execution problems caused by a lack of prior program experience were especially evident in the area of housing opportunities.³ Associates in Hennepin County, Minn.; Orange County, Calif.; and St. Louis cited lack of experience as the major reason for delays in carrying out housing opportunities activities. The associate for Hennepin County reported that activities were delayed because the activity was new to participating municipalities. In Orange County, the lack of staff members experienced in land acquisition and redevelopment delayed execution of the county's efforts to write down land costs for private developers, who in turn would agree to build low-cost housing units in their developments. The lack of experience in local government housing assistance in St. Louis led the city to rely on the county housing authority to execute many of the city's housing programs. The associate reported that although the county was cooperative, the city may have been able to carry out its housing programs more rapidly if it had possessed the administrative capacity to do so.

3. For the study of program execution, we set up four program categories--neighborhood conservation, housing opportunities, general public improvements and services, and economic development. These are variations on the program categories in chapter 5 and were established to take into account the eight national objectives stated in the CDBG legislation. See appendix 7 for definitions of each category.

Jurisdictions that used CDBG funds for programs similar to those begun under the categorical programs executed their programs relatively smoothly. For example, progress in the execution of neighborhood conservation and general public improvements and services in Jacksonville, Fla., was attributed to the city's prior experience (urban renewal/NDP, water and sewer, open space programs) and its existing pre-CDBG Neighborhood Improvement Mechanism, which focuses on physical improvements and service delivery. The city's ability to accurately project the necessary lead time for planning, its effective monitoring and evaluation process, and its geographic coordination of neighborhood conservation activities helped the city carry out these types of activities.

Experience with a major urban renewal project in Sioux Falls, S.D., resulted in steady progress in the execution of the city's downtown renewal program, a major economic development activity in the city's CDBG program. The downtown renewal program is a program begun under urban renewal and represents the fulfillment of a long-term commitment of staff and resources.

Lack of experience in capital improvements projects also led to delays. These projects generally go through several stages, including site selection, acquisition, design, and construction. In some instances it may be necessary to redevelop a site through relocation, demolition, and clearance activities before a project can proceed. If private contractors are involved, then the additional steps of obtaining bids and letting contracts are necessary. As we discuss later, bidding problems with private contractors caused execution problems in several jurisdictions.

If capital improvement projects are routine activities of local governments--such as construction or maintenance of streets, sidewalks, drainage, and lighting--execution usually proceeds smoothly. For example, Miami used CDBG funds to expand its street improvements program into target neighborhoods. In Scottsdale, Ariz., street improvements and parks development activities funded with CDBG were made part of the city's capital improvements program. Associates in both jurisdictions said these routine projects were executed smoothly and rapidly.

However, when jurisdictions undertook nonroutine capital projects, most notably housing rehabilitation, start-up problems involving staffing and program design created execution problems. The Brookings report on the second year of the CDBG program noted that although many housing

rehabilitation projects were based on prior Federal programs, jurisdictions had no consistent model to follow.⁴

In Los Angeles, housing rehabilitation programs began slowly because of the city's cautious attitude toward this new activity. Because the city experimented with several program approaches, the structure of rehabilitation programs changed frequently. For example, in one neighborhood the city realized it was promoting displacement of lower income residents and canceled further activity; in another neighborhood, which was in transition from single to multifamily occupancy, the low demand for rehabilitation loans required the city to develop an alternative approach for the conservation of the housing stock. A similar situation existed in Houston; the associate there noted, "Attempts on the part of the city's community development division to develop its own housing rehabilitation program from scratch, rather than use available models or contract with nonprofit groups, slowed down the process of program design and development." As a result, many proposals the city developed failed to gain approval from the city attorney's office because of legal technicalities.

St. Louis County, Mo., quickly overcame start-up delays in its rehabilitation program because its administrative design is simple. Under the program, the county grants a rebate to homeowners to cover a portion of home improvement costs, and the homeowner makes the contractual arrangements for the work. Because contracts were not needed between the county and private contractors, there was little delay.

In contrast to capital improvement projects, associates reported that community services were relatively easy to execute. Services generally require less lead time and usually involve only equipment and personnel. Many services only require that the jurisdiction provide CDBG funds as the local share for other grant programs. For example, St. Louis allocated CDBG funds to pay the non-Federal share of the title XX program funded by the Department of Health, Education, and Welfare. In Cleveland, execution of the city's concentrated crime patrol and code enforcement programs proceeded smoothly because they required only a bookkeeping transaction in which CDBG funds were used to pay for part of the salaries of police officers and housing inspectors.

In many jurisdictions, prior experience under the model cities program helped officials administer community service

4. Dommel et al., Decentralizing Community Development, p. 229.

programs. These jurisdictions often used CDBG funds to continue or expand activities that were begun under model cities. In most instances, the agencies that administered these social service programs--often community-based, private, non-profit organizations--were already in place; CDBG funds enabled these organizations to continue or expand services.

Cooperation From "Execution Agents." A planning or development agency of the local government frequently administers CDBG funds, while program execution is carried out by city line departments, private contractors, and nonprofit organizations, as discussed below. Relationships with these "execution agents" is a key factor for program progress in many jurisdictions.

1. Local public agencies (line departments, special authorities). Problems of cooperation were especially evident in capital improvements activities. Associates in Houston, Los Angeles, Orange County, Raleigh, N.C., and Rochester, N.Y., cited the lack of cooperation between the CDBG administering agency and the line departments as the major reason for difficulties in carrying out capital projects.

In Los Angeles, CDBG capital improvement projects tended to receive low priority in the Public Works Department. Other projects, particularly the city's local public works (LPW) projects, funded by the Economic Development Administration (EDA), were given priority because they had a critical deadline. In addition, execution of the city's housing programs was delayed because the Community Redevelopment Agency and the Community Development Department disagreed about who should control the programs.

A similar problem occurred in Rochester. The associate stated, "The quantity of street and sidewalk improvements financed since 1976 out of LPW, CDBG, and local revenues created administrative burdens for the engineering and maintenance division. CDBG projects had to wait their turn." In Orange County, some county employees were unenthusiastic about CDBG projects because the county had to institute new contracting procedures to comply with Davis-Bacon wage standards; as a result, CDBG projects tended to lag. In Raleigh, the CDBG administering agency faced more severe problems.

Capsule 7-2. Raleigh, N.C.

Program execution has been delayed because of the lack of cooperation between the local housing authority, which administers Raleigh's CDBG program, and the city's line departments. Because the housing authority is a local public agency

independent of the city government, it has very little leverage to enforce its priorities over city line departments. For example, the public works department took more than 1 year to appoint an inspector for the code enforcement program, and CDBG-funded street improvements have been put at the bottom of the department's list of priorities. Other departments have also given CDBG projects low priority.

Recently, administrative responsibility for the CDBG program has been transferred to the Office of Intergovernmental Relations (OIR), located in the city manager's office. However, its ability to coordinate other agencies remains to be established. The associate noted that there is potential for continued conflict in Raleigh between administrators and executives, especially if the OIR terminates a contract with a local nonprofit organization that has carried out the housing rehabilitation program.

Execution of public works activities in Houston depended on the degree of cooperation between the Community Development Division, located in the mayor's office, and the Public Works Department.

Capsule 7-3. Houston

The associate reported: "Compared with the half-billion-dollar annual capital budget of the Public Works Department, the \$10 to \$15 million allocated to the department each year from the community development block grant for capital projects does not give the community development division much leverage with which to accelerate department priorities on CDBG-funded activities."

Projects that have made relatively rapid progress have been those that were in accord with department priorities. A good example is the storm drainage project, which was recommended for inclusion in the city's CDBG program by the department itself. The laying of drainage conduits and related surface improvements in areas of the city with flooding problems during heavy rains were a top department priority. These activities were executed smoothly because the department could carry out these activities using normal procedures.

By contrast, street improvements, an activity in which the department also has experience and established operating procedures, were a major source of controversy between the Community Development Division and the department. The division assumed that property owners would not be assessed for CDBG-funded street improvements. The department insisted

that normal operating procedures be followed, which required the levying of an assessment to cover the costs of the improvement. Resolution of this issue took more than a year and was decided in favor of the department. The associate noted that at least one street improvement project was abandoned because of citizen protests against the levying of an assessment.

In St. Louis County, levels of cooperation varied among departments. Progress in carrying out street improvements proceeded smoothly because of the strong cooperation of the streets department. But development of new parks in the county's unincorporated areas faced severe problems because the county parks department was not interested in developing new parks "which often bring more burdens than offsetting benefits."

2. Private-sector agents. Several types of private organizations are involved in the execution of CDBG activities. Private lending institutions often participate in housing rehabilitation programs, business and industry cooperate in economic development activities, construction companies carry out capital works projects, and community-based nonprofit organizations deliver community services and in some cases carry out housing rehabilitation programs.

a. Private, for-profit sector. As was the case with public agencies, program execution problems also occurred with private, for-profit participants.

The inability of jurisdictions to attract private contractors to bid on capital projects was reported as the major reason for execution problems in Greece, N.Y., Rochester, and St. Louis. The great volume of construction projects in the Rochester area led to few bid responses from private contractors, who were already working at capacity. Greece, a suburb of Rochester, also faced difficulties in obtaining contractors for its construction projects. The associate reported, "Davis-Bacon and equal opportunity requirements were cited by contractors as disincentives for bidding on Greece's small construction projects." Problems in obtaining private contractors were perhaps most severe in St. Louis, partly because of cumbersome contracting procedures.

Capsule 7-4. St. Louis

Delays in program execution have been the result of a cumbersome contracting process and the reluctance of private contractors to bid on capital projects. These problems are

especially crucial for St. Louis because more than 80 percent of the city's block grant funds are for capital projects.

The city's contracting process was established by charter in 1913 and deliberately written to be a time-consuming process, involving sign-offs from several officials to prevent corruption and collusion among contractors and politicians. Briefly, the process involves the following steps. After the Board of Public Service, the city's contracting agent, decides to contract a project outside city government, it takes about 2 months to get the required ordinance passed by the Board of Aldermen. Once the ordinance is passed, the Board of Public Service may begin work on project specification and advertise for bids. Following the selection of a contractor, a series of conditions must be met before the comptroller draws up a contract. For example, the contractor must verify that he owes no back taxes, possesses all the required licenses (if any are required), and is in compliance with equal opportunity provisions. It usually takes the city about 4 months to contract a project.

To expedite the execution of capital projects, the city allocates funds for its major capital projects to the Land Clearance Redevelopment Agency (LCRA), which was responsible for the city's urban renewal programs. Since the LCRA was created by State statute, it is not subject to the provisions of the city's charter. Although the LCRA does not have to deal with the Board of Aldermen, it must obtain clearances from a variety of agencies--special districts, A-95 review, and the like--before work on a project can begin.

Whether a project is contracted out through the Board of Public Service or the Land Clearance Redevelopment Agency, cooperation from private contractors is necessary. Many private contractors have been reluctant to bid on CDBG projects because of the paperwork and governmental regulation (e.g., equal opportunity, Davis-Bacon) involved. Those contractors that have submitted bids have often bid as much as 200 percent above the expected bid. This overbidding forces the city to reject the bids and rework the project specification, which delays the project for 4 to 6 months. The associates note that private contractors have enough work with the number of private redevelopment and highway projects underway that they can ignore CDBG projects. "The reluctance of private contractors to bid on CDBG projects increases the problems of the structural capacity of the city to tackle the massive doubling of CDBG funds St. Louis received in year four."

In contrast to St. Louis, where the contracting process caused delays, Jacksonville was able to complete its capital projects quickly because of a greatly simplified contracting procedure. Under the city's Neighborhood Improvement Mechanism, contractors bid once a year for general physical improvements; thereafter a contractor needs only a purchase order to start an individual project.

In Rochester, another form of private sector wariness caused execution difficulties. The city's neighborhood commercial loan program progressed slowly because business owners were reluctant to risk investment in transitional neighborhoods.

In some cases, housing rehabilitation programs were delayed because of difficulties in securing participation from private lending institutions. In Los Angeles, one of the city's rehabilitation programs was delayed more than 2 years because of problems in working out loan arrangements with a local bank and a credit rating service. Houston also experienced delays in arranging for leveraging rehabilitation loans with a private lending institution. In St. Louis, the necessary cooperation from private lending institutions did not take place until the end of the third year.

The private lending sector was not always an impediment to program execution, however, and sometimes helped get programs implemented quickly.

Capsule 7-5. Cleveland

The associate reported that the major reason for progress in carrying out the city's neighborhood conservation activities has been the cooperation of private lending institutions and the autonomy from the rest of the city government as a result of having a nonprofit agency administer the CASH program. CASH, which has been the city's only neighborhood conservation activity, was initiated in the fourth year with an allocation of \$2 million. The program is designed to provide housing rehabilitation loans and grants, code enforcement, and public improvements in six areas of the city. The associate noted that CASH has gone smoothly because of the participation of 22 private lending institutions. Many of these institutions have had previous experience with the city's two Neighborhood Housing Services projects, activities similar to the CASH program.

b. Private, nonprofit organizations.⁵ Nonprofit organizations were also examined, although the emphasis is more on their role than on problems resulting from their involvement.

Thirty-nine of the 61 jurisdictions in the sample allocated some portion of their CDBG funds in the third and fourth program years to nonprofit organizations to implement community development programs. However, nonprofit organizations were important execution agents in only a few jurisdictions. Almost two-thirds of the sample jurisdictions allocated either no funds or less than 5 percent of their funds to nonprofit organizations during the third and fourth program years. Only six jurisdictions (Allegheny County, Pa.; Cambridge, Mass.; Evanston, Ill.; Los Angeles; Newark, N.J.; and Worcester, Mass.) allocated more than 20 percent of their CDBG funds to nonprofit organizations in both the third and fourth program years. Capsules for Evanston and Worcester are presented below.

Capsule 7-6. Evanston, Ill.

The role of nonprofit organizations has expanded considerably in Evanston. The largest and most influential of these organizations has been the Evanston Community Development Corporation (ECDC), a newly established community-based organization located in the Church-Dodge target area, the city's poorest and predominantly black area. ECDC received \$15,000 for administrative costs in the second program year; in the third year, it received CDBG funds to institute a pilot housing rehabilitation program; in the fourth year, ECDC received \$340,000 to continue the housing program and to prepare a comprehensive plan for the redevelopment of the Church-Dodge area.

In addition to carrying out housing rehabilitation and redevelopment planning activities, ECDC acts as a conduit for citizen input into the CDBG program. ECDC holds meetings to inform citizens of its progress and of other activities of the CDBG program. Because ECDC was the first nonprofit organization to work with the city in a major and continuous way, its relationship set the pattern for other nonprofit organizations involved, although on a lesser scale

5. This section was not included in our report on program execution and is based on the complete sample of 61 jurisdictions.

than ECDC, in the CDBG program. These organizations primarily carried out social services activities.

Capsule 7-7. Worcester, Mass.

Worcester has used nonprofit organizations extensively in its CDBG program. The proportion of CDBG funds allocated to nonprofit agencies in Worcester increased from 24 percent in the third year to more than 34 percent in the fourth year. In the third year, 15 activities, about one-third of the total, were implemented by nonprofit organizations; in the fourth year, this number increased to 19. The major participants were agencies that had been involved in the model cities program.

The Worcester Cooperation Council, Inc., (WCCI) the major nonprofit CDBG organization, is involved in housing rehabilitation and economic development activities. WCCI also received CDBG funds to provide planning and management assistance to four local groups to initiate new housing developments under Federal and State housing finance programs. A variety of other activities are carried out by several other nonprofit organizations. These include technical and financial assistance for historic preservation and a variety of social services (day care, comprehensive health care, youth recreation, housing counseling, and drug and alcoholic education).

Social services and housing were the dominant activities carried out by nonprofit groups. Social services were implemented by nonprofit organizations in more than three-fourths of the jurisdictions that funded nonprofit organizations (table 7-1). In more than two-thirds of the jurisdictions, nonprofit organizations undertook housing programs. These included the processing of housing rehabilitation loans and grants, rehabilitation work, housing counseling, and fair-housing advocacy. Economic development programs were carried out by nonprofit groups in only a few cities, generally the larger, distressed central cities. Nonprofit organizations also were involved in historic preservation, comprehensive neighborhood redevelopment, and technical assistance to minority contractors.

Table 7-1. Percentage of CDBG Funds Allocated to Nonprofit Organizations and Types of Activities Undertaken

Jurisdiction	Percentage of CDBG grant allocated to nonprofit organizations		Type of activities			
	Year 3	Year 4	Social serv-ices	Housing	Eco-nomic develop-ment	Other
<u>Central cities</u>						
Atlanta, Ga.	2	5	X		X	
Cleveland, Ohio	15	6	X	X	X	
Columbia, S.C.	1	1		X		
Durham, N.C.	3	4	X	X		
Houston, Tex.	10	10	X	X		
Jacksonville, Fla.	4	5	X	X		
Lansing, Mich.	12	7	X			
Los Angeles, Calif.	29	28	X	X		
Miami, Fla.	5	4	X			
Minneapolis, Minn.	19	17	X	X		
New York, N.Y.	8	6	X			
Newark, N.J.	22	22	X	X	X	X
Philadelphia, Pa.	10	10	X	X		
Phoenix, Ariz.	3	1		X		
Pittsburgh, Pa.	1	1		X		X
Portland, Maine	12	11	X	X		
Raleigh, N.C.	7	7	X	X		
Rochester, N.Y.	4	4	X			X
St. Louis, Mo.	7	18	X	X	X	
San Jose, Calif.	2	4	X			X
Seattle, Wash.	11	4	X			
Sioux Falls, S. Dak.	1	1	X			

Table 7-1. Percentage of CDBG Funds Allocated to Nonprofit Organizations and Types of Activities Undertaken (continued)

Jurisdiction	Percentage of CDBG grant allocated to nonprofit organizations		Social serv-ices	Housing	Eco-nomic develop-ment	Other
	Year 3	Year 4				
Worcester, Mass.	24	34	X	X	X	
<u>Satellite cities</u>						
Cambridge, Mass.	35	35	X	X		
Cleveland Heights, Ohio	15	35		X	X	
East Orange, N.J.	21	18	X			
Evanston, Ill.	21	25	X	X		X
Miami Beach, Fla.	11	25	X			X
Mount Vernon, N.Y.	14	20	X	X		
<u>Urban counties</u>						
Allegheny (Pa.)	30	26		X		
Dade (Fla.)	8	13	X	X		X
DeKalb (Ga.)	0	1	X			
King (Wash.)	1	3	X	X		
Los Angeles (Calif.)	10	2	X	X		
Orange (Calif.)	2	2		X		
St. Louis (Mo.)	5	5	X			
<u>Nonmetropolitan</u>						
Carbondale, Ill.	2	2	X			

Table 7-1. Percentage of CDBG Funds Allocated to Nonprofit Organizations and Types of Activities Undertaken (continued)

Jurisdiction	Percentage of CDBG grant allocated to nonprofit organizations		Type of activities			
	Year 3	Year 4	Social serv-ices	Housing	Eco-nomic develop-ment	Other
Charlottes-ville, Va.	20			X		
Marlborough, Mass.	7	7	X			

Source: Field research data.

Intergovernmental Problems

Program execution was delayed in some communities because of difficulties in dealing with agencies at other levels of government--Federal, State, county, and special districts. Problems generally fell into two groups: (1) projects requiring clearance from another agency, or agencies, at a different governmental level; and (2) projects using CDBG funds along with funds from other sources.

1. Clearances from nonlocal agencies. In Raleigh, execution of the city's housing opportunities activities--which involved demolition and clearance of a site for new section 8 and public housing units--was delayed because the State requires development of a comprehensive plan before condemnation can begin.

In Houston, a rehabilitation program was delayed because a State constitutional provision prohibited the city from making loans and grants to private property owners. It took the city more than a year to acquire a favorable ruling from the State attorney general.

Historic preservation requirements delayed a courthouse restoration project in Sioux Falls for more than a year. Similarly, a community center in Huntington Beach, Calif.,

was delayed because the State architect's office took more than 8 months to review the construction plans.

A multimillion-dollar parklands acquisition and development project in Los Angeles has been delayed because the State Cultural Board wants the art deco facade of an auditorium located on the proposed site declared an historic site; the State wants the grounds and the building declared a national monument. These concerns have brought the bid and purchase process to a standstill.

City-county relations slowed program execution in Hennepin County. Many participating municipalities started CDBG projects on their own without seeking guidance from county officials. As a result, the communities often violated program requirements and had to retrace their steps. For example, a sidewalk construction project in Golden Valley did not comply with environmental review and Davis-Bacon requirements. A land acquisition project in Edina violated environmental review procedures.

In Cleveland Heights, Ohio, modernization of traffic signals located on a county highway was delayed because of coordination problems with the county engineer. In St. Louis County, a sewer line project was slowed by lack of cooperation from the Metropolitan Sewer District, the agency responsible for such activities.

2. Coordination of CDBG funds with funds from other sources. In some instances, jurisdictions have used their CDBG funds in conjunction with funds from other sources, such as other Federal, State, or county programs. Associates reported several examples of delay in such cases. In Worcester, CDBG funds are part of a \$40 million flood control project. The associate reported that the project has been delayed because the city and the Environmental Protection Agency are still working on alternative routes for a downtown flood control tunnel.

Capsule 7-8. New York City

Because of the enormous financial strain under which the parks commissioner had to work, he allocated city or CDBG funds only to projects that would also get funds from other sources. Both the operating and capital budgets in parks were cut drastically before (beginning in 1970) the city's financial crisis hit, with the result that post-1975 cuts in all agencies further hurt the parks department.

The associate reported, "The commissioner's first criterion for supporting or failing to support a particular CDBG project is whether or not the project is eligible for funds from other sources, such as the Interior Department, the State, or private sources. . . . This practice means that every project not only has the usual CDBG hurdles, but must face a different set of regulations under whatever its other funding source is."

In Los Angeles County, the summer beautification program administered by several community-based organizations experienced execution difficulties because the release of CETA and CDBG funds did not coincide. In Huntington Beach, a day care center involving a coalition of participants--a community group and State, county, and city agencies--has been delayed because of funding coordination problems. Similar coordination problems have occurred in Los Angeles. The city, State, county, and county flood control district are all cooperating in the Pan Pacific park acquisition project. The State is contributing \$3 million; the county, \$2.6 million; the flood control district, \$3 million; and the city, \$2.6 million, of which \$1 million is CDBG funds. For this project to proceed, all these governments and their appropriate agencies must cooperate.

Unanticipated Costs

In a few instances, associates reported execution problems that were caused by unanticipated costs. For example, jurisdictions had allocated funds for a capital project, but when the time came to acquire the land or begin construction the costs had risen above the budgeted amount, forcing either delay or abandonment of the project. This type of problem occurred in Phoenix, which has been unable to find an affordable site for its urban Indian center, an activity initially allocated CDBG funds in the first year.

In several jurisdictions, a highly speculative real estate market has made planned land acquisition difficult, adversely affecting housing programs. In Huntington Beach, the associate reported that high land costs have severely limited the city's activities in this area. As a result, only two housing opportunities activities--homeowner counseling and a senior citizens project--have been undertaken during the first 4 years of CDBG. In Orange County high land and construction costs have also delayed housing opportunities activities. The Miami associate stated, "The high degree of urbanization and citizen resistance contribute to the extreme

difficulty of acquiring land at a fair market value which supports the spatial deconcentration of housing opportunities." In Minneapolis, the city's only housing opportunities activity--site acquisition for housing for the elderly--was abandoned because of a lack of funds to meet rising construction costs. These funds were later reprogramed for site improvements to section 8 housing.

Rate of Spending as a Progress Indicator

An important question in analyzing CDBG program execution is, How useful is the community's rate of expenditure of CDBG funds in assessing program progress?

Jurisdictions report expenditure rates annually to HUD as a percentage of CDBG funds that have been spent at the end of a program year. We asked associates to provide data on expenditure rates for each of the first 3 years of the CDBG program and to assess this indicator as a measure of progress. We did not include the fourth program year in the analysis because most jurisdictions had not completed their fourth year programs. Also, the analysis covers only the expenditure of program funds during the year for which they were allocated. For example, we did not include the percentage of first and second year funds spent by the end of the third year.

Associates in more than half the jurisdictions reported that their jurisdictions did not keep records in a way that would permit this type of computation. We included only jurisdictions for which expenditure data were available for each of the first 3 years of the program. For this part of the analysis, the sample includes 39 jurisdictions--21 of the 24 jurisdictions included in the program execution survey plus 18 metropolitan jurisdictions that are part of the full CDBG monitoring study.⁶

6. Data for Cleveland Heights, Ohio; Raleigh, N.C.; and St. Louis County, Mo., were not available for 1 or more program years. The 18 jurisdictions added were Allegheny County, Pa.; Cambridge, Mass.; Columbia, S.C.; Dade County, Fla.; Denver, Colo.; East Orange, N.J.; El Monte, Calif.; Evanston, Ill.; Harris County, Tex.; King County, Wash.; Lakewood, Colo.; Lansing, Mich.; Lubbock, Tex.; Miami Beach, Fla.; Newark, N.J.; Pittsburgh, Pa.; Portland, Maine; and Seattle, Wash.

As table 7-2 shows, the unweighted mean expenditure rate for the sample jurisdictions declined slightly over the first 3 program years, going from 51 percent at the end of the first year to 49 percent at the end of the third year. Rates of spending among the sample jurisdictions ranged from 5 percent in Huntington Beach at the end of the second year to 100 percent in Greece, N.Y., in the same year. Greece spent all of its first and second year funds during the years in which they were allocated.

Table 7-2. Unweighted Mean Rates of Expenditure, Years 1 through 3

Program year	N	Unweighted mean
Percentage of first-year funds spent at the end of first year	39	51
Percentage of second-year funds spent at the end of second year	39	51
Percentage of third-year funds spent at the end of third year	39	49

Source: Field research data.

We analyzed the data by the type of jurisdiction and the level of categorical experience to see whether these factors were important to expenditure rates.

As shown in table 7-3, the 10 satellite cities in the sample had the highest expenditure rate in each of the 3 program years but showed a decline in their mean rate of expenditure from 60 percent at the end of the first year to 55 percent at the end of the third year. However, the rate of expenditure varied greatly among the satellite cities. In the first year, the range was from 18 percent in Miami Beach to 100 percent in Greece; in the second year, the range was from 5 percent in Huntington Beach to 100 percent in Greece; and in the third year, expenditure rates ranged from 26 percent in Huntington Beach to 75 percent in Lakewood, Colo. There was also considerable variation in the rate of spending of

individual jurisdictions (table 7-4). Lakewood, which spent 75 percent of its third-year funds by the end of that program year, had spent only 10 percent of its second-year funds by the end of the second year; Greece dropped from 100 percent in the second year to 45 percent in the third year.

Table 7-3. Expenditure Rates by Type of Jurisdiction, Years 1 through 3
(unweighted mean percentages)

Type of jurisdiction	Number of jurisdictions	Percentage of first-year funds spent at end of year 1	Percentage of second-year funds spent at end of year 2	Percentage of third-year funds spent at end of year 3
Central cities	22	49	51	52
Satellite cities	10	60	58	55
Urban counties	7	44	38	31
Total	39	51	51	49

Source: Field research data.

Central cities were above the sample mean in the second and third years and slightly increased their expenditure rates over the 3 program years, from 49 percent at the end of the first year to 52 percent at the end of the third year. The range in the rate of spending also varied greatly among the sample central cities. In the first year, the range was from 21 percent in St. Louis to 82 percent in Jacksonville; in the second year, the range was from 22 percent in Miami to 92 percent in Sioux Falls; and in the third year, the range was from 16 percent in Houston to 87 percent in Denver. As in some satellite cities, there was considerable variation in spending rates in individual central cities. For example, Pittsburgh's 69-percent expenditure rate in the second year fell to 17 percent in the third year; Jacksonville's rate dropped from 82 percent in the first year to 50 percent in the second year and went up to 74 percent in the third year.

Table 7-4. Expenditure Rates of Sample Jurisdictions,
Years 1 through 3

Jurisdiction	Percentage of first- year funds spent at end of year 1	Percentage of second- year funds spent at end of year 2	Percentage of third- year funds spent at end of year 3
Allegheny County, Pa.	12	10	19
Cambridge, Mass.	69	70	45
Cleveland, Ohio	33	29	44
Columbia, S.C.	30	65	72
Dade County, Fla.	43	48	42
Denver, Colo.	26	50	87
Durham, N.C.	55	35	32
East Orange, N.J.	65	72	71
El Monte, Calif.	73	98	69
Evanston, Ill.	76	78	64
Greece, N.Y.	100	100	45
Harris County, Tex.	14	17	6
Hennepin County, Minn.	55	10	11
Houston, Tex.	25	39	16
Huntington Beach, Calif.	24	5	26
Jacksonville, Fla.	82	50	74
King County, Wash.	99	81	45
Lakewood, Colo.	40	10	75
Lansing, Mich.	62	30	20
Los Angeles, Calif.	80	49	42
Los Angeles County, Calif.	63	76	32
Lubbock, Tex.	53	43	44
Miami, Fla.	50	22	31
Miami Beach, Fla.	18	21	49
Minneapolis, Minn.	30	62	50
Mt. Vernon, N.Y.	41	54	48
New York, N.Y.	55	68	56
Newark, N.J.	62	50	60
Orange County, Calif.	19	22	59
Phoenix, Ariz.	73	70	66
Pittsburgh, Pa.	40	69	17
Portland, Maine	47	57	86
Rochester, N.Y.	41	58	67
St. Louis, Mo.	21	37	52
Scottsdale, Ariz.	90	74	56
Seattle, Wash.	69	60	40
Sioux City, Iowa	75	65	70
Sioux Falls, S. Dak.	35	92	80
Worcester, Mass.	39	33	36

Source: Field research data.

The rate of spending among the seven urban counties in the sample was not only continuously below the sample mean but also declined significantly, from 44 percent at the end of the first year to 31 percent at the end of the third year. For the urban counties in the sample, expenditure rates in the first year ranged from 12 percent in Allegheny County to 99 percent in King County, Wash.; in the second year, the range was from 10 percent in Hennepin County to 81 percent in King County; and in the third year, expenditure rates ranged from 6 percent in Harris County, Tex., to 59 percent in Orange County. Individual counties also had great variations over the 3 years. Los Angeles County dropped from a 76-percent expenditure rate for the second year to 32 percent for the third year.

In sum, analysis by the type of jurisdiction showed that satellite cities had the highest rates of expenditure, but that these rates were declining. Central cities were only slightly above the sample mean but showed some increase in the rate of spending as the program proceeded. However, the variations from the mean were so great within the types of jurisdictions and in individual communities that, except possibly for urban counties, the expenditure rate showed no clear relationship between the type of recipient and program progress.

A similarly erratic pattern emerged when we analyzed the rate of expenditure in terms of program experience (table 7-5). Sample jurisdictions with low levels of categorical experience were above the mean in the first year, but their mean rate of expenditure declined in the second and third years. All sample jurisdictions in this group except Phoenix are satellite cities and urban counties. For these jurisdictions, the range of expenditure rates in the first year was from 14 percent in Harris County to 100 percent in Greece; in the second year, from 5 percent in Huntington Beach to 100 percent in Greece; and in the third year, from 6 percent in Harris County to 75 percent in Lakewood.

Communities with moderate levels of categorical experience were below the sample mean each year and showed a slight decline over the 3 years analyzed. All jurisdictions in this group are central cities. The range in the rate of expenditure for the first year was from 21 percent in St. Louis to 82 percent in Jacksonville; in the second year, from 22 percent in Miami to 68 percent in New York City; and in the third year, from 16 percent in Houston to 72 percent in Columbia.

Table 7-5. Expenditure Rates by Level of Previous Experience with HUD Categorical Programs (unweighted mean percentages)

Level of experience	Number of jurisdictions	Percentage of first-year funds spent at end of year 1	Percentage of second-year funds spent at end of year 2	Percentage of third-year funds spent at end of year 3
Low ^a	12	54	49	46
Moderate	10	50	45	46
High	17	49	55	53
Total	39	51	51	49

Source: Field research data.

a. Includes one jurisdiction with no previous experience with HUD categorical programs.

The pattern is mixed for jurisdictions with high levels of experience, primarily central cities but including a few satellite cities and urban counties. The expenditure rate in the first year was below the mean; it increased in the second year to rise above the mean and declined in the third year but still remained above the sample mean. If we exclude Allegheny County, which had the lowest expenditure rate in this group for all 3 years, the range is from 26 percent in Denver to 90 percent in Scottsdale for the first year; 30 percent in Lansing to 92 percent in Sioux Falls for the second year; and 17 percent in Pittsburgh to 87 percent in East Orange for the third year.

None of the three groups was above or below the sample mean in any year by more than 6 percentage points. This fact, combined with the wide variations within the groups, makes previous categorical experience an uncertain indicator of a jurisdiction's ability to spend CDBG funds.

In our discussion on overall program execution, we pointed out that prior experience with categorical grants was an important factor in program progress; we stressed, however, that experience was important only when jurisdictions

continued the same types of programs that they had carried out under the categorical grants, such as model cities activities and urban renewal continuation. When jurisdictions undertook new types of programs, categorical experience was less important and problems such as program design and inter-agency coordination became major execution factors. This conclusion seems to be supported by the expenditure rates for the eight sample jurisdictions that had received more than half of their categorical funds from the model cities program. Programs in these communities were affected most by the CDBG program's shift in emphasis to physical development. The mean spending rate for these cities was below the sample mean and declined each year, going from 48 percent in the first year--just below the mean--to 39 percent in the third year, 14 percentage points below the mean.

Usefulness of Expenditure Rates

Overall, associates indicated that the expenditure rate was, with important qualifications, a useful measure of program execution. One associate noted that "the rate of spending is an important indicator, but is more useful as a signal of program difficulties than as an index of program quality or success." The field associates cited variations in the types of activities funded, structural and organizational capacity, and construction seasons as important factors to be considered when using expenditure rates as a measure of progress.

The major problem noted by associates was that the high level of aggregation of expenditure rates make it a crude measure of progress. As an initial step toward making expenditure rates a more useful indicator of local progress, associates suggested that the indicator be disaggregated. Participants at the Washington conference of Brookings associates and HUD officials also expressed this view.⁷ Suggestions included disaggregation by budget line items, program categories, individual projects, or all three.

Several associates noted that a jurisdiction's high expenditure rate does not necessarily mean that progress toward

7. "Program Execution Under the Community Development Block Grant: An Exploratory Analysis," pp. 43-51.

the program's objectives is occurring. For example, Worcester has been able to spend funds allocated for completion of a downtown urban renewal project, but much of the money has gone to settle past property acquisition claims rather than to continued project development. Phoenix's high expenditure rate (73 percent, 70 percent, and 66 percent, respectively, in the first 3 program years) was the result of extensive reprogramming to activities for which funds could be spent more rapidly. As pointed out in capsule 7-1, Phoenix transferred funds originally allocated for several new housing and neighborhood conservation activities to activities it could more easily execute, primarily the existing Booker T. Washington NDP project. The associate reported "the city's overall high expenditure rate is testimony to the city's ability to manage and spend block grant funds. It should not, however, mask delays in program execution which are indicated by comparing initial budget allocations by activity to final program expenditures for those activities."

Conversely, low expenditure rates may conceal program progress. The Houston associate reported that "although some substantial progress has been made in Houston at the front end on problems of organizational weaknesses and excessively long lead times (as much as 7 years for street improvements, 3 years for parks), this kind of progress is not reflected in the city's expenditure rates."

Other Measures of Local Progress

In addition to expenditure rates, associates suggested other measures to assess program progress. These included the extent of reprogramming, variances from milestones, local in-house progress reports, unit measures other than dollars, and onsite monitoring visits.

Several associates noted that the extent of reprogramming was a useful indicator of program progress because it may indicate execution difficulties with the initial activity. For example, the associate for Durham noted that reprogramming is a reflection of the city's difficulties with its housing rehabilitation loan program. The program has proceeded slowly because of a lack of interest among eligible homeowners. As a result, much of the allocation for the rehabilitation program has been reprogramed to other activities.

Variances from milestones established in local plans were cited as a useful measure of program progress by several associates. One associate noted that this measure was

particularly useful for measuring front-end progress in planning and developing new programs. Others reported that it was a good indicator for tracking capital programs through the bid, design, engineering, and construction stages. In Huntington Beach, the local CDBG staff prepared a time-line schedule and narrative for each program. They submitted this information, along with a list of activities, to the HUD program officer for use in monitoring the jurisdiction.

Several associates cited the need for quantitative measures expressed in units other than dollars. Among units suggested were the number of units of low-cost housing provided, number of houses rehabilitated, miles of streets resurfaced, and number of community centers built.

Associates also stated that certain indicators were more useful for one type of activity than for others. For activities in the neighborhood conservation and general public improvements and services categories, associates generally felt that rates of expenditure were a useful measure of progress if certain modifications, such as disaggregation by activity type, more frequent reporting, and inclusion of encumbrance data were made. For example, the associate for Greece reported that if sidewalk reconstruction were disaggregated by procedural stages (e.g., sidewalk location, bid specification, contract awarding, and repair work tasks), and encumbrance and expenditure data provided for each stage on a monthly basis, a better measure of the extent of local progress was possible. For economic development activities, the associate for Sioux Falls noted that one measure the city used was the length of time publicly acquired property was held before resale; there, properties have been resold between 2 and 4 years after acquisition. Finally, a few associates reported that the only reliable indicator of program progress is an onsite monitoring visit.

Conclusion

One of the problems with the categorical grant approach was the long delay between the time a community applied for a Federal grant and the time the project was completed. In the case of urban renewal, the time lapse was sometimes 7 to 10 years. Many of the delays were attributed to the extensive Federal involvement in the project through all stages of planning and development. It was hoped that the decentralized decisionmaking goal of the block grant program would eliminate long delays in project execution. Also, because of the shift

from large-scale renewal programs to small-scale CDBG projects, it was anticipated that the time required for program execution would decrease.

Although project size is an important variable affecting execution time, other factors may also adversely affect program execution. These include local and intergovernmental administrative problems, lack of cooperation from public- and private sector implementing agents, and unanticipated increases in costs.

In addition, there are important conceptual and analytical problems in measuring such progress. Progress can be examined in terms of program execution; we can measure what a community did against what it said it intended to do in its application. Analysts might look at such indicators of progress as the rate of expenditure, although, as we have emphasized, there are some important qualifications to the usefulness of this measurement; other indicators of progress are needed. A second way to measure progress is against program objectives. This task is more difficult because the program has no agreed-upon set of objectives except those stated in the law, and these are imperfect guides for analysis because they are overlapping and sometimes conflicting. Then there is the added problem of translating any indicators or measurements of physical development progress into progress toward the national goals, however defined and understood.

Regardless of how progress is measured, the CDBG program has "aged" to the point where analysts and policymakers want to know what has been done with the money. Although formula distribution and social targeting issues are still of interest, particularly with program renewal coming up in 1980, program progress and impact has become an important issue of the block grant. Thus, this chapter is a transition to the final monitoring report, which will include program implementation as a major point for analysis.

CHAPTER 8

CONCLUSION

This report has focused on the impact of the HUD targeting policy, designed to direct a greater share of CDBG program benefits to lower income groups. From our analysis of intergovernmental issues and changes in levels of lower income benefits, we concluded that HUD's social targeting policy has affected the distribution of program benefits. In the third and fourth years, fewer jurisdictions allocated less than half of their program benefits to low- and moderate-income groups than in the previous years. This shift occurred especially in some better-off communities, where benefit levels had been lower in the early years of the program. At the same time, the benefit changes in many sample communities have tended to be more gradual than dramatic. This is not surprising. Communities are a complex mix of political, social, and economic forces that are reflected in the local CDBG decisionmaking process and in the kinds of allocation decisions made. The outcome frequently is the result of efforts to balance these multiple and often conflicting interests. Within this context, HUD's ability to move communities toward certain policy objectives is constrained; the agency "nudges" rather than "shoves" in the desired direction.

We also concluded that the future of benefits to lower income groups is likely to be influenced by future "policy preferences" of HUD administrators and by the program mix chosen by local participants. In stressing the term "policy preferences," we stated that different administrators may have different sets of policy choices that could alter the pattern that emerged at the end of the fourth program year. In the first 2 years of the program, HUD administrators chose a hands-off policy in many areas of the program; for example, they did not establish any fixed standards of benefit levels to be achieved by recipient communities. Through the regulatory process and through policy guidelines to HUD field officials, however, the Department under Secretary Harris and Assistant Secretary Embry adopted a hands-on policy on social targeting. There is nothing to preclude future HUD administrators from relaxing the interpretation of the national legislative policy concerning lower income benefits.

A community's program mix, the second factor influencing lower income benefits, may be less subject to change. At the end of the fourth program year, there was evidence of growing institutionalization of the local program. This is in large part the result of the natural aging of the program as local attention shifts from planning projects to completing them. By the end of the fourth year, HUD was pressing several communities to execute programs more rapidly, a factor that could make communities more hesitant about major program shifts in the future. If institutionalization becomes a major characteristic of the program, then local program decisions in the future may be decisions about funding increments rather than decisions about the basic mix of programs. This will be a major area for analysis in our final monitoring report.

Program institutionalization is also likely to affect and reflect changes in the mix and influence of local participants in the decisionmaking process. During the first 4 years, the trend has been toward greater involvement by HUD and local citizen groups and a larger role for the regular departments of the local government. Chapter 4 noted that program experience and HUD's neighborhood targeting policies have contributed to greater citizen participation. However, if incremental program decisions become the principal form of local choices in the future, meaning there is less "free" money to be allocated, new groups may have less incentive to enter the process; also, some present actors may become less active if they become "bored" by the process. The final report will also look closely at process institutionalization and its effects on participation.

This brings us to the basic question of decentralization, which has been the thread of conflict that has run through the CDBG program since it was proposed by President Nixon as special revenue sharing in 1971. One of the major national objectives of the block grant was to give local officials and citizen participants more control over program decisions. But the CDBG legislation also included several substantive national objectives that, if pursued actively at the national level, were likely to bring Federal program administrators into conflict with persons favoring decentralized decisionmaking. Some persons view the more active HUD role as a form of program "recategorization." We are skeptical of this label.

Recategorization implies a Federal control over the program similar to the control exercised over the discretionary grants. Under the categorical programs, Federal officials were in a position to be more demanding at every stage of the process, from application through final audit. Under the

urban renewal program in particular, the applications were huge and sometimes took several years to be approved. After initial project approval, every step along the way--land acquisition, clearance, relocation, development of infrastructure, land disposal prices, contract bidding, and final development--was carefully scrutinized by Federal officials. In contrast, under the CDBG program New York City received grants totaling over \$800 million between 1975 and 1979 with only a fraction of the paperwork and Federal intervention that would have been involved in acquiring that amount of urban renewal money.

In many cities, the HUD targeting policies had only marginal effects on what the cities did with their money. In some cases, HUD policy did make a difference and its presence was clearly felt. Often, cities continued the same kinds of activities but shifted their locations as a result of HUD's geographic targeting policy. In some cities, particularly the more distressed ones, HUD policies had little effect on local programs; because of these cities' many problems and wide areas of need, almost any kind of activity qualified. When HUD questioned a city's projects, frequently all that the city needed was some creative draftsmanship to meet HUD concerns.

We see the community development block grant as a mix of programs and policy preferences, operating at the national and local levels. The local preferences are expressed by the community in its grant application, which reflects both the range of local problems and the local bargaining process. This is the core of decentralization. The national preferences are those of Federal officials, who decide how to meet the substantive national goals. The interaction of local and Federal preferences determines how much decentralization is achieved. From our perspective, we would argue that, overall, local preferences have dominated program plans during the first 4 years. To restate a conclusion of our second report: We are not judging the programs themselves in terms of their programmatic, economic, or social success or failure. We are simply saying that the communities have taken advantage of the decentralized process to structure their own basic programs.

As an instrument of intergovernmental aid, the CDBG program lies between the narrowly focused, more tightly controlled categorical grant and the "no strings attached" approach of general revenue-sharing. The CDBG program does not simply occupy the midpoint between the two extremes, however. Rather, it covers a wide policy space between the categorical and revenue-sharing approaches. Theoretically, it is possible for Federal and local preferences to move freely between the two, but in reality this is not likely. As the CDBG

programs become more institutionalized, as we expect, it is likely that Federal and local officials will be constrained by previous choices and policies.

APPENDICES

APPENDIX 1

Brookings Monitoring Sample, Showing Descriptive
Statistics and Categorical Program Experience

Appendix 1. Brookings Monitoring Sample, Showing Descriptive Statistics, and Categorical Program Experience; Alphabetically by State

Jurisdiction	Type of jurisd- iction (1)	Urban condi- tions index (mean= 100)* (2)	CDBG population 1975 (thousands) (3)	Percent population change 1960-75 (U.S.= +18.8) (4)	Percent poverty 1970 (U.S.= 14.0) (5)	Percent over- crowded housing 1970 (U.S.= 7.0) (6)	Percent pre-1940 housing 1970 (U.S.= 40.6) (7)	Prior program experience	
								Model cities (8)	Urban renewal (9)
ARIZONA									
Casa Grande	NM-Dis.	23	13	+61.5	14.2	18.9	11.1		
Phoenix	CC	21	664	+51.4	11.6	8.9	11.2		X
Scottsdale	SC	1	77	+673.3	5.1	4.5	1.1		X
CALIFORNIA									
El Monte	SC	11	67	+414.3	13.3	12.7	16.7		
Huntington Beach	SC	1	149	+1,202.7	5.1	4.8	3.7		
Los Angeles	CC	89	2,727	+10.0	13.0	8.4	32.2	X	X
Los Angeles County	UC	51	1,936	-4.1	9.7	n.a.**	21.4	X	X
Orange County	UC	3	545	+215.0	5.7	n.a.	5.3		
San Jose	CC	11	555	+172.1	8.6	7.6	13.9	X	X
Santa Clara	SC	53	82	+40.6	7.6	6.3	6.3		X
COLORADO									
Denver	CC	131	484	-1.9	13.4	5.2	41.0	X	X
Lakewood	SC	7	120	NA	4.6	3.0	6.2		
FLORIDA									
Dade County	UC	10	863	+68.1	11.3	n.a.	5.8	X	X
Jacksonville	CC	31	535	+166.1	16.8	8.1	20.9		X
Miami	CC	114	365	+25.2	20.3	20.6	29.9	X	
Miami Beach	SC	76	94	+48.9	18.9	8.4	25.4		
GEORGIA									
Atlanta	CC	157	436	-10.5	19.8	10.5	30.3	X	X
DeKalb County	UC	8	389	+75.5	4.9	n.a.	11.7		
ILLINOIS									
Carbondale	NM-HH	122	23	54.3	24.6	6.1	32.6	X	X
Chicago	CC	255	3,099	-12.7	14.3	9.5	66.5	X	X
Cook County	UC	12	1,613	+52.7	3.9	n.a.	19.6		
Evanston	SC	95	77	-3.3	6.5	3.4	60.3		
Pulaski County	NM-Dis.	844	9	-16.6	44.2	11.7	67.9		
IOWA									
Sioux City	CC	172	86	-3.9	10.5	6.7	67.0		X
MAINE									
Auburn	CC	199	23	-4.7	10.9	7.2	74.1		X
Bangor	NM-Dis.	294	32	-17.1	14.7	5.9	70.8		X
Portland	CC	317	60	-17.5	14.7	5.8	76.1	X	X
MASSACHUSETTS									
Boston	CC	303	637	-8.7	15.3	7.2	77.2	X	X
Cambridge	SC	251	102	-4.9	12.8	5.6	79.7	X	X
Marlborough	NM-HH	41	30	+61.1	5.9	5.3	48.2		X
Worcester	CC	188	171	-8.1	9.9	5.4	74.4	X	X
MICHIGAN									
Alma	NM-HH	140	10	+11.5	9.7	5.0	68.6		X
East Lansing	CC	29	50	+66.9	10.7	4.8	18.8		
Lansing	CC	92	127	+17.6	9.9	6.3	46.5	X	X

Appendix 1. continued

Jurisdiction	Type of jurisdiction (1)	Urban conditions index (mean=100)* (2)	CDBG population 1975 (thousands) (3)	Percent population change 1960-75 (U.S.=+18.8) (4)	Percent poverty 1970 (U.S.=14.0) (5)	Percent over-crowded housing 1970 (U.S.=7.0) (6)	Percent pre-1940 housing 1970 (U.S.=40.6) (7)	Prior program experience	
								Model cities (8)	Urban renewal (9)
MINNESOTA									
Hennepin County	UC	7	363	+48.1	3.4	n.a.	12.6		
Minneapolis	CC	234	378	-21.7	11.5	4.3	68.1	X	X
MISSOURI									
St. Louis	CC	487	525	-30.0	19.7	12.3	73.9	X	
St. Louis County	UC	17	766	+33.8	4.4	n.a.	22.0		X
NEW JERSEY									
East Orange	SC	186	73	-4.9	11.1	5.1	67.8	X	X
Newark	CC	422	340	-16.2	22.1	14.3	68.4	X	X
NEW YORK									
Greece	SC	8	76	+56.9	2.8	3.3	18.6		
Mount Vernon	SC	174	68	-10.9	9.3	8.3	71.1		
New York	CC	222	7,481	-3.9	14.7	9.9	62.1	X	X
Rochester	CC	266	267	-16.1	12.0	5.3	79.5	X	X
NORTH CAROLINA									
Durham	CC	118	101	+29.3	19.4	8.1	33.6		
Raleigh	CC	52	134	+42.9	12.8	6.5	24.8		X
OHIO									
Cleveland	CC	400	639	-27.1	17.0	7.1	73.3	X	
Cleveland Heights	SC	113	51	-17.2	5.5	1.2	72.7		X
PENNSYLVANIA									
Allegheny County	UC	121	897	+2.5	6.2	n.a.	85.0	X	
Philadelphia	CC	271	1,815	-9.3	15.1	5.9	69.5	X	X
Pittsburgh	CC	344	458	-24.1	15.0	6.3	74.4	X	X
SOUTH CAROLINA									
Columbia	CC	111	112	+14.6	17.8	7.9	30.3		
Florence	NM-HH	162	31	+26.8	21.6	10.5	40.6		X
SOUTH DAKOTA									
Sioux Falls	CC	86	74	+12.9	9.3	6.4	44.3		X
TEXAS									
Harris County	UC	10	437	+112.4	9.2	n.a.	9.7		
Houston	CC	40	1,326	+41.4	13.9	10.0	17.3		
Lubbock	CC	34	164	+27.1	16.2	10.5	11.3	X	
Plainview	NM-Dis.	105	20	+8.0	20.4	11.2	23.6		X
VIRGINIA									
Charlottesville	NM-HH	94	41	+41.5	15.9	5.6	35.8		X
WASHINGTON									
King County	UC	11	590	+61.6	5.3	n.a.	14.2		
Seattle	CC	128	487	-12.6	10.0	3.3	47.6	X	X

Source: Monitoring sample data and formula data elements are from the U.S. Department of Housing and Urban Development.

Note:

- CC = central city
- SC = satellite city (city of 50,000 but not a central city)
- UC = urban county
- NM-HH = nonmetropolitan hold-harmless entitlement jurisdiction
- NM-Dis. = nonmetropolitan discretionary jurisdiction

*Jurisdictions above 100 are generally less well off than those below the mean.
 **Not available.

APPENDIX 2

Third-Round Analysis Form
Study of the Community Development
Block Grant Program

Third Field Research Report

Due: September 1, 1978

FIELD ANALYSIS FORM

STUDY OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Brookings Institution
Washington, D.C.

Jurisdiction _____

Associate _____

Please make 2 copies of this report.

Send one copy to: Paul R. Dommel
The Brookings Institution
1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Retain the other copy for yourself.

NOTE: Wherever necessary, insert continuation sheets.

Jurisdiction _____

Associate _____

Persons interviewed for Third Field Research Report for the Brookings
study of the community development block grant program.

Name	Title and Organization
------	------------------------

The Field Analysis Form is organized in six main parts: intergovernmental relations, the local decisionmaking process, program uses and benefits, urban counties, housing rehabilitation, and summary analysis.

I. INTERGOVERNMENTAL RELATIONS

Tables 1-4. Intergovernmental Issues Analysis

To continue our analysis of intergovernmental issues, we need very specific information on HUD-local issues that arose during the third and fourth program years. Tables 1-4 are provided for this purpose.

The tables correspond to the four basic types of intergovernmental issues identified in the second-round CDBG report. Referring to the definitions on page 2 and the subheadings on the tables, choose the category that is most appropriate for each issue that arose in your jurisdiction and describe the issue briefly on the corresponding table.

In addition to a concise description of each issue, the tables call for the following information and assessments:

- The importance of the issue to HUD and to the local jurisdiction.
- The outcome of the issue. Did HUD's or the local jurisdiction's view prevail? For other outcomes, explain briefly. Was it a compromise favoring HUD's position, a compromise favoring the jurisdiction's position, or a resolution that seemed equally acceptable to both parties? If the issue was not yet settled at the time of reporting, please note "unresolved."
- The initiating party.
- The program year and stage (e.g., monitoring, application, implementation) in which the issue arose.

Categories of Intergovernmental Issues

Strategy issues (table 1) involve the overall allocation of a jurisdiction's CDBG program and the distribution of benefits among income groups. The HUD area office might contend that a jurisdiction has spent too much money on one type of activity (e.g., social services) or has neglected a certain program area (e.g., housing). Another strategy issue frequently raised by HUD concerns the targeting of funds to low- and moderate-income groups as opposed to spending on communitywide activities.

Programmatic issues (table 2) concern the definition and eligibility of specific CD projects. For example, in Philadelphia HUD ruled that the city's mortgage and loan guarantee program could not use CDBG funds for new housing loans, though loans for housing rehabilitation were permissible. The principal difference between a programmatic issue and a strategy issue is that a programmatic issue involves a specific aspect of one CD project whereas a strategy issue encompasses a broad theme (e.g., target area vs. communitywide) and addresses a number of CD activities (e.g., housing, social services) or the jurisdiction's entire CD plan.

Compliance issues (table 3) concern procedures and implementation rather than program content. These issues generally center on the jurisdiction's fulfillment of the assurances it must file with its CDBG application. Four types of compliance issues predominated in the first two years: equal opportunity, citizen participation, environmental impact, and Davis-Bacon.

Administrative and technical issues (table 4) concern the manner in which the program is administered at the local level, covering such topics as financial record-keeping systems, staffing, and the planning process. Technical issues generally focus on errors of calculation.

Table 1. Intergovernmental Relations: STRATEGY ISSUES

(If more than one issue arose within a subcategory, list each separately.)

Jurisdiction

Associate

<u>Brief description of issue</u>	<u>Who initiated?</u> 1) HUD 2) local jur. 3) 3d party (specify type)	<u>Program year</u> 3 or 4?	<u>Stage of process</u> 1) applica- tion 2) implemen- tation	<u>Importance</u> 1) high 2) moderate 3) low		<u>Outcome</u> 1) HUD wins 2) local jur. wins 3) Other (explain)
				HUD	local	
Housing strategy (includes "expected to reside" issues)						
Targeting strategy (social and/or geographic)						

Table 1. Intergovernmental Relations: STRATEGY ISSUES (continued)

(If more than one issue arose within a subcategory, list each separately.)

Brief description of issue	Who initiated? 1) HUD 2) local jur. 3) 3d party (specify type)	Program year. 3 or 4?	Stage of process 1) applica- tion 2) implemen- tation	Importance		Outcome 1) HUD wins 2) local jur. wins 3) Other (explain)
				HUD	local	
Social services strategy						
Other strategy						

Table 2. Intergovernmental Relations: PROGRAMMATIC ISSUES

(If more than one issue arose within a subcategory, list each separately.)

Jurisdiction
Associate

Brief description of issue	Who initiated? 1) HUD 2) local jur. 3) 3d party (specify type)	Program year 3 or 4?	Stage of process 1) applica- tion 2) implemen- tation	Importance		Outcome 1) HUD wins 2) local jur. wins 3) Other (explain)
				HUD	local	
Housing programs						
Social service programs						

Table 2. Intergovernmental Relations: PROGRAMMATIC ISSUES (continued) Jurisdiction _____
 (If more than one issue arose within a subcategory, list each separately.) Associate _____

<u>Brief description of issue</u>	<u>Who initiated?</u> 1) HUD 2) local jur. 3) 3d party (specify type)	<u>Program year</u> 3 or 4?	<u>Stage of process</u> 1) applica- tion 2) implemen- tation	<u>Importance</u>		<u>Outcome</u> 1) HUD wins 2) local jur. wins 3) Other (explain)
				1) high 2) moderate 3) low	HUD local	
Public facilities programs						
Other programs						

Table 3. Intergovernmental Relations: COMPLIANCE ISSUES

(If more than one issue arose within a subcategory, list each separately.)

Jurisdiction

Associate

Brief description of issue	Who initiated? 1) HUD 2) local jur. 3) 3d party (specify type)	Program year 3 or 4?	Stage of process 1) applica- tion 2) implemen- tation	Importance		Outcome 1) HUD wins 2) local jur. wins 3) Other (explain)
				HUD	local	
Equal opportunity						
Environmental review						
Citizen participation						

Table 3. Intergovernmental Relations: COMPLIANCE ISSUES (continued) Jurisdiction _____
 (If more than one issue arose within a subcategory, list each separately.) Associate _____

Brief description of issue	Who initiated? 1) HUD 2) local jur. 3) 3d party (specify type)	Program year 3 or 4?	Stage of process 1) applica- tion 2) implemen- tation	Importance		Outcome 1) HUD wins 2) local jur. wins 3) Other (explain)
				HUD	local	
Davis-Bacon						
Other						

Table 4. Intergovernmental Relations: ADMINISTRATIVE AND TECHNICAL ISSUES Jurisdiction _____
 (If more than one issue arose within a subcategory, list each separately.) Associate _____

Brief description of issue	Who initiated? 1) HUD 2) local jur. 3) 3d party (specify type)	Program year 3 or 4?	Stage of process 1) applica- tion 2) implemen- tation	Importance		Outcome 1) HUD wins 2) local jur. wins 3) Other (explain)
				HUD	local	
Administrative issues (e.g., financial record-keeping, contracting and letter-of-credit procedures, etc.) Please specify the kind or kinds.						
Technical issues (errors in calculations, etc.)						

Jurisdiction _____

Associate _____

1. Discussion of Major Intergovernmental Issues

- 1(a) In tables 1-4 you briefly described the specific intergovernmental issues that arose in this jurisdiction. Now we would like you to discuss the major issues and their outcomes in more detail. By major issues we mean those that created the most controversy, no matter what category they are in. Your discussion here will be the principal source of information for fleshing out the quantitative analysis and for writing the report capsules, so please make it as complete as possible.

Jurisdiction _____

Associate _____

Discussion of Major Intergovernmental Issues (continued)

- 1(b) If there were no major issues between HUD and the local jurisdiction, lack of controversy or conflict between local officials and HUD may be accounted for in several ways:
- (A) "Eye-toEye:" HUD and key local actors tended to see "eye-to-eye" on most aspects of the program; for whatever reason, the perceptions of HUD and local actors tended to coincide.
 - (B) Deference to HUD: Local decisionmakers planned and implemented CDBG programs by and large in accord with what they knew or assumed HUD expected or would accept. Also, they may be receiving a UDAG grant and thus be reluctant to contest block grant issues.
 - (C) Deference to Locals: HUD by and large viewed its role as supporter of local priorities, decisions, procedures, etc., and restrained itself from imposing external constraints on the local program.

Please indicate whether you believe A, B, or C accounts for the relatively low degree of controversy or conflict between HUD and this jurisdiction. If an alternative assessment would be more appropriate, please describe in detail.

Jurisdiction _____

Associate _____

2. HUD Influence on Program Content

Here we would like you to assess HUD's influence on the content of the local CDBG program for specific program years, i.e., on the distribution of block grant funds among the various program areas. HUD influence on program content often is felt during the application process but may come at any stage. For example, HUD's performance monitoring report may influence the content of the next year's program. The question focuses on relations with the HUD area office, but if the regional or central office is involved, please specify.

2(a) <u>Level of influence on program content</u>	<u>Year three</u>	<u>Year four</u>
Local program determined by HUD	(check)	
Major HUD influence		
Minor HUD influence		
No HUD influence		

- 2(b) Discuss in detail your reasons for the assessments in 2(a) above. Give particular attention to the major strategy or program elements affected by HUD involvement and specify at what stage (application, performance monitoring, implementation) this influence was felt.

Jurisdiction _____

Associate _____

3. Changes in HUD's Role

This question focuses on the overall role of HUD (the area office) in the CDBG program and on changes over time. In assessing HUD's role, consider not only influence on program content but also the general character of relations between HUD and this jurisdiction, HUD influence on the Housing Assistance Plan, and HUD's role in enforcing regulations (e.g., equal opportunity, environmental review, etc.). If the regional or central office is involved, please specify.

3(a) <u>Change in HUD's role</u>	<u>From year two to year three</u>	<u>From year three to year four</u>
Increased substantially	_____	_____
Increased somewhat	_____	_____
Stayed the same	_____	_____
Decreased somewhat	_____	_____
Decreased substantially	_____	_____

- 3(b) Please give your analysis of the reasons for and results of the changes indicated in 3(a) above. Focus particularly on the overall character of HUD involvement in this jurisdiction and the attitudes of local officials toward any perceived changes.

Jurisdiction _____

Associate _____

4. Red Tape

With the coming of the block grant, it was expected that less paperwork would be required in order to get and spend the federal money than had been required under the categorical grants. In the second CDBG report we stated that, of the forty-four sample jurisdictions with prior categorical experience, officials in about half thought that red tape had decreased; the other half thought it had increased or stayed the same as under the categorical grants. (See p. 3-19 of the draft report.) Here we want to change the frame of reference by asking you to compare changes in red tape requirements over the first four years of the CDBG program.

- 4(a) Overall, do local officials in this jurisdiction see "red tape" as increasing or decreasing as the CDBG program continues? Do they see it as having increased between the first two program years and program years three and four?

- 4(b) What specific paperwork requirements do local officials find most counterproductive? What paperwork requirements do they find most helpful for planning and carrying out their programs?

Jurisdiction _____

Associate _____

5. A-95 Review Process

OMB Circular A-95 provides for the designation of state and areawide clearinghouses to review and comment on applications for certain federal grant funds. These comments should deal with the relationship between the proposed activity for which funding is sought and related state, regional, or areawide plans or activities. As part of the review and comment process, clearinghouses are expected to solicit, from state or local environmental and civil rights agencies, comments about the proposed activity's environmental impact and its conformity to existing civil rights laws and regulations. Section 104(e) of the Housing and Community Development Act provides that "no grants may be made under this title unless the application is submitted for review and comment to an areawide agency."

- 5(a) Has there been any change in the role of the state and areawide A-95 clearinghouses during year three or four compared with the role played during the first two years? If so, describe the difference and indicate what in your judgment accounted for it.

PART II. THE LOCAL DECISIONMAKING PROCESS

A major objective of our research is to identify the participants in CDBG decisionmaking at the local level and to observe and analyze shifts in the relative influence of these participants over time. We want to find out whether the block grant format tends to produce closed decision systems restricted to federal and local officials or whether the decisionmaking process is instead more open to a greater number and variety of participants under CDBG than it was under the categorical grants. A second focal point of the decision process analysis is institutionalization. Has the decision process remained fairly constant over the first four program years, despite changes in local political factors such as elections, and the resultant changes in personnel? To address these issues, we ask you to assess the relative influence of all the various participants in the CDBG decision process in your jurisdiction, using the "influence points," a measure developed in the second-year report (see chapter 4). Then, we ask for your descriptive analysis of the roles played by the various participants.

EXPLANATION OF INFLUENCE POINTS

The influence points are a means of attaching a numerical value to your overall assessment of the relative influence of various participants in the decision process within your jurisdiction. The points do not measure the relative influence of a given category of participants in different jurisdictions. The influence points approach is being applied to the local system as a whole and separately to executive and neighborhood participants.

The hypothetical case below illustrates for the system as a whole how a total of ten influence points might be distributed to correspond to a specific situation.

Description of Hypothetical Case:

In this jurisdiction the city manager made all major CDBG program decisions. The technical work involved in drafting the application was done, under his supervision, by the assistant city manager and the city planner. The city council did not formally participate in the development of the CDBG program, though some council members independently contacted the city manager's office to express interest in specific projects. Specific requests were also made by two citizen groups, who urged the funding of small-scale rehabilitation projects in their neighborhoods. After the completed CDBG application was submitted to HUD, the agency advised the city that several projects would be ruled ineligible. Under the city manager's supervision, these projects were revised or replaced to meet HUD's approval.

Allocation of Influence Points:

Executive	5
Legislature	1
Citizens	1
HUD	3
	<u>10</u>

Jurisdiction _____

Associate _____

6. Updated Background on Local Actors

Since the last field report in the Spring of 1977 have there been any key events or sudden changes--such as local elections, new positions taken by leaders, other signal occurrences, etc. --that have significantly affected the operation of the CDBG program in this jurisdiction? If so, please discuss and indicate what the significance of these events are for CDBG in subsequent years.

Jurisdiction _____

Associate _____

7. Influence on CDBG Decisionmaking--ALL ACTORS

- 7(a) Complete the following table, distributing a total of ten influence points among the various participants in the CDBG decision process for years three and four. The points recorded for year two are from the second-round reports you submitted. Keep in mind that the basis of the point assignment is influence on the content of the program.

<u>Participant</u>	<u>Year two</u>	<u>Year three</u>	<u>Year four</u>
Executive	_____	_____	_____
Legislature	_____	_____	_____
Citizens	_____	_____	_____
HUD	_____	_____	_____
Other (specify)	_____	_____	_____
Total	10	10	10

- 7(b) Did any of the participants mentioned above form a coalition? If so, what was the effect of the coalition(s) on CDBG decision-making?

Round III

Jurisdiction _____

Associate _____

Influence Points (continued)

- 7(c) Discuss in detail the basis for the changes in your distribution of influence points among the different participants from year two to year three and from year three to year four.

Jurisdiction _____

Associate _____

-- GENERAL --

In answering questions 8-10, elaborate on the degree of institutionalization whenever possible, and distinguish between events of the third and fourth program years where this is significant.

8. Influence on CDBG Decisionmaking--EXECUTIVE ACTORS ONLY

8(a) Distribute a total of 10 influence points among the following types of executive actors in relation to their relative influence over the content of the CDBG program.

<u>Executive Actors</u>	<u>Year</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Chief executive (Check <u> </u> mayor; <u> </u> manager; <u> </u> county supervisor; other (specify) _____;)	_____	_____	_____	_____
Staff officials	_____	_____	_____	_____
Line agencies/departments	_____	_____	_____	_____
Other (specify) _____; (e.g., specialist authorities associated with categorical)	_____	_____	_____	_____
Total	10	10	10	10

Jurisdiction _____

Associate _____

Executive Influence. (continued)

- 8(b) Does the distribution of influence points among the different executive actors represent a continuity with the first two years of CDBG decision-making or a change from earlier patterns? Please describe the evolving role changes and the factors that seem to account for them.
- 8(c) Describe the roles of the executive actors in CDBG decisionmaking. Distinguish the role of the chief executive from his/her immediate staff and from departments under the chief executive. Discuss also any major changes in the staffing arrangements for (1) preparing the application and (2) implementing the program. Be sure to describe any interagency or interdepartmental entities or arrangements that have emerged as part of the CDBG decision process.
- 8(d) What was the role of specialist agencies? In cases where such agencies continued to exist in the second program year, have they been abolished or reorganized since then? If so, when and how? To what extent do specialist officials continue to influence program decisions? Are those specialists with continuing influence now more accountable to the generalist officials or do they continue to operate with considerable autonomy?

Jurisdiction _____

Associate _____

9. Influence on CDBG Decisionmaking--LEGISLATIVE ACTORS ONLY

9(a) How is the legislative body elected? At large? By districts? Both?

9(b) Describe the role of the legislature in local CDBG decisionmaking and its influence on program content, relative to other participants (i.e., HUD, executive participants, citizen participants). Did this role change during year three or four? If so, please describe the change and the factors that seem to account for it.

Jurisdiction _____

Associate _____

10. Influence on CDBG decisionmaking--CITIZEN ACTORS ONLY

- 10(a) Distribute a total of ten influence points among the following types of citizen participants in relation to their relative influence over the content of the CDBG program.

	Year			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Citizen advisory committee (formal citizen participation mechanism)	_____	_____	_____	_____
Neighborhood-based groups	_____	_____	_____	_____
Special interest groups (e.g., Chamber of Commerce, NAACP, League of Women Voters, taxpayers associations, etc.) (specify)	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____
Total	10	10	10	10

- 10(b) Are there conflicts and coalitions among these participants with respect to CDBG issues? How have these forces influenced or failed to influence CDBG decisions? Do these patterns represent significant changes when compared with the first years of CDBG? If so, how would you describe and account for the changes?

Jurisdiction _____

Associate _____

Citizen Influence (continued)

10(c) Are neighborhood groups an important factor in CDBG decisionmaking in your jurisdiction? If so, are they groups that were formed during the categorical period, or ones that formed with the coming of the CDBG program? If both old and new groups are involved, how would you assess their relative influence on allocation decisions? Do the groups that formed to influence the consolidated categoricals still exist?

10(d) Are minority groups (neighborhood and communitywide) active in CDBG decisionmaking? Discuss the types of groups involved, the issues in which they are most interested (e.g., equal opportunity and/or program benefits), and their influence relative to other groups.

Jurisdiction _____

Associate _____

Citizen Influence (continued)

- 10(e) Discuss the specific types of formal citizen participation mechanisms used in your jurisdiction (e.g., hearings, citizen's advisory committee) and the stages at which citizens participated in the CDBG decisionmaking process (e.g., drafting the application, commenting on the draft application, evaluating programs etc.).
- 10(f) Did the citizen participation mechanism during years three and four differ from the arrangement during year two? If so, describe the change and specify the year in which it occurred.

Jurisdiction _____

Associate _____

Citizen Influence (continued)

- 10(g) The 1977 CDBG amendments require each jurisdiction to draw up a written citizen participation plan and require that citizens be given an opportunity to comment on CDBG program performance. The plan is to go in effect on August 1, 1978. What changes in the citizen participation process have been made in this jurisdiction as a result of the new law and new regulations? Do you think that citizen participation in your jurisdiction has been or will be strengthened by the new requirements?

10(h) FOR JURISDICTIONS WITH FORMAL CITIZEN'S ADVISORY STRUCTURES ONLY;

Answer the questions below for the fourth program year.

How many committee members are there?

Are members appointed or elected?

Who appoints or elects them?

What is the basis of representation--communitywide, neighborhood, or both? If both, how is the membership divided between the two?

What percentage of committee members represent low- and moderate-income groups? (Your judgment may reflect perceptions of committee members and local officials as well as your own.)

What percentage of committee members are female?

What percentage of committee members are minority group members?

Blacks	_____ %
Hispanics	_____ %
Oriental	_____ %

Round III

Jurisdiction _____

Associate _____

11. Housing Assistance Plan

In the first year we reported a "general lack of interest and attention to the HAP" at the local level. There was no significant change in this view in the second year although more attention was given to the "expected to reside" information. The 1977 law expands the scope of the HAP to include identification of deteriorated housing and to assure that subsidized re-habilitated housing goes to lower-income persons. HUD Secretary Harris has also stated her intention to make the HAP a more important part of the CDBG process. For these reasons we would like to give special attention to the local process for preparing the HAP and the perceptions of local officials about the HAP.

- 11(a) Overall, how have the views of local officials about the HAP changed over the four years of the CDBG program? Do they now regard it as a more important document for local housing policy than they did at the beginning? Has there been any significant change in the HAP process between years two, three, or four of the program, particularly between the third and fourth year?

Jurisdiction _____

Associate _____

Housing Assistance Plan (continued)

- 11(b) Who controls the HAP process, and what is the relationship between the HAP and other local housing decisions? Give particular attention to any fragmentation that may exist in local decisionmaking about publicly subsidized housing programs. For example, who controls the rehab programs under CDBG? Who controls the section 8 program in your jurisdiction? Who controls the conventional public housing program? If there is fragmented decisionmaking in these policy areas, what are the implications of such fragmentation?

PART III. PROGRAM USES AND BENEFITS

This part of the Field Analysis Form deals with your assessments of the official data submitted by this jurisdiction in its community development block grant applications for years three and four. First, we ask you to submit a photocopy of the following documents:

1. "Community Development Budget" for the third and fourth program years as approved by HUD.
2. "Activity Description" for the third and fourth program years as approved by HUD. These documents are to be submitted according to the instructions on page 36.
3. "Short Term Objectives" for the third and fourth program years.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT COMMUNITY DEVELOPMENT PROGRAM		1. NAME OF APPLICANT WORCESTER MASSACHUSETTS		2. APPLICATION NO. ENTITLEMENT APPLICANTS ONLY 4. PROGRAM YEAR: FROM: 7-1-76 TO: 6-30-77		3. ORIGINAL AMENDMENT	
ACTIVITY DESCRIPTION	RELATED SHORT- TERM OBJECTIVE	CENSUS TRACT/ ENUMER- ATION DISTRICT	ENVIRONMENTAL REVIEW STATUS	RELATED BUDGET LINE ITEM	ESTIMATED COST (\$200)		
					PROGRAM YEAR	SUBSEQUENT YEAR	TOTAL
					AMOUNT	SOURCE	
HOUSING REHABILITATION PROGRAM A program designed to reduce the total number of substandard housing units throughout the City by the availability of technical and financial assistance to homeowners.	C-1	Census Tracts: 5, 12.01, 13, 14, 18, 19, 22.03	Assessment	5	500,000	2,000,000	Private lending institutions
NEW HOUSING DEVELOPMENT A program designed to directly assist the development of privately sponsored housing for the elderly, handicapped, or non-elderly low-income families, as determined by the CDBG Housing Assistance Plan.	C-2	Census Tracts: 1, 6, 7, 9.02, 10, 11.01, 12, 17, 18, 19, 20.02, 21, 22, 23, 28, 31	Exempt	13	148,000	148,000	WCCI Mortgage Funds
CBD PROGRAM IMPLEMENTATION The revitalization of the CBD through the stimulation of private investment opportunities. The rejuvenation of economic and physical development in the CBD.	C-3	Census Tracts: 17, 22.03, 25	Assessment	2	300,000	300,000	Private Capital Unknown
SUB GRANT TOTAL					\$948,000	\$948,000	

**COMMUNITY DEVELOPMENT PLAN SUMMARY
(SHORT-TERM OBJECTIVES)**

1. NAME OF APPLICANT WORCESTER, MASSACHUSETTS	2. APPLICATION NUMBER	3. <input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> AMENDMENT
	4. PROGRAM YEAR (Entitlement Applicants Only) FROM: 7-1-76 TO: 6-30-77	

C-1

HOUSING REHABILITATION PROGRAM

To reduce by 1,200 units, the number of seriously sub-standard housing units and to reduce by 1,500 units the number of housing units with minor deficiencies in designated target areas of the City. Of this total, 850 units will be demolished, and 1,850 units will be rehabilitated, 75% of which will be with assistance to landowners over a period of 3 years.

A total number of 400 units will be rehabilitated in CDBG Year 2, 300 of which will be directly assisted by a program developed through the CDBG Year 1 Rehab Planning Survey.

The rehabilitation program is expected to take place in Census Tracts 5, 12.01, 13, 14, 15, 18, 19, 22.03, 24, 26 and 27.

Supports Need(s) No: A-1

C-2

NEW HOUSING DEVELOPMENT

To encourage through the housing assistance plan, priority for housing assistance to very low income families and elderly persons; to insure that housing assistance programs contribute to the residential quality of neighborhoods; and to directly assist the development of new or substantially rehabilitated housing for the elderly/handicapped and non-elderly low-income families.

Supports Need(s) No: A-2

C-3

CBD PROGRAM IMPLEMENTATION

To undertake immediate and positive steps to halt and reverse the process of deterioration in Downtown Worcester. To create a community-wide forum for the purpose of extracting, evaluating, and implementing those programs which will best promote the revitalization of the Downtown area. This program will be the direct outcome of the CBD Study, which is an important part of the Year 1 CD Program.

Supports Need(s) No: A-3

Page ____ of ____ Pages

HUD-7015.4 (11-75)

YEAR THREE

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT COMMUNITY DEVELOPMENT BUDGET		A. <input type="checkbox"/> ORIGINAL <input type="checkbox"/> AMENDMENT		B. APPLICATION NO.	
C. NAME OF APPLICANT			D. PROGRAM YEAR		
			FROM: TO:		
LINE NO.	E. PROGRAM ACTIVITY	AMOUNT		FOR HUD USE ONLY	
1.	ACQUISITION OF REAL PROPERTY				
2.	PUBLIC WORKS, FACILITIES, SITE IMPROVEMENTS				
3.	CODE ENFORCEMENT				
4.	CLEARANCE, DEMOLITION, REHABILITATION				
5.	REHABILITATION LOANS AND GRANTS				
6.	SPECIAL PROJECTS FOR ELDERLY AND HANDICAPPED				
7.	PAYMENTS FOR LOSS OF RENTAL INCOME				
8.	DISPOSITION OF REAL PROPERTY				
9.	PROVISION OF PUBLIC SERVICES				
10.	PAYMENT OF NON-FEDERAL SHARES				
11.	COMPLETION OF URBAN RENEWAL/NDP PROJECTS				
12.	RELOCATION PAYMENTS AND ASSISTANCE				
13.	PLANNING AND MANAGEMENT DEVELOPMENT				
14.	ADMINISTRATION				
15.	CONTINUATION OF MODEL CITIES ACTIVITIES				
16.	SUBTOTAL (Sum of Lines 1 thru 15)				
17.	CONTINGENCIES AND/OR UNSPECIFIED LOCAL OPTION ACTIVITIES (Not to exceed 10% of line 16)				
18.	TOTAL PROGRAM ACTIVITY COSTS (Sum of Lines 16 and 17)				
LINE NO.	F. RESOURCES FOR PROGRAM ACTIVITY COSTS				
1.	ENTITLEMENT OR DISCRETIONARY AMOUNT				
2.	LESS DEDUCTIONS				
3.	ENTITLEMENT/DISCRETIONARY AMOUNT FOR PROGRAM ACTIVITIES (Line 1 minus 2)				
4.	PROGRAM INCOME				
5.	SURPLUS FROM URBAN RENEWAL/NDP SETTLEMENT				
6.	LOAN PROCEEDS				
7.	REPROGRAMMED UNOBLIGATED FUNDS FROM PRIOR PROGRAM YEAR				
8.	TOTAL RESOURCES FOR PROGRAM ACTIVITY COSTS (Sum of Lines 3-7)				

☐ Check box if costs include indirect costs which require approval of a cost allocation plan as required by Federal Management Circular 74-4.

EDITION OF 10-74 IS OBSOLETE

HUD-7015.5 (11-75)

YEAR FOUR

35

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT COMMUNITY DEVELOPMENT BUDGET		A. <input type="checkbox"/> ORIGINAL <input type="checkbox"/> AMENDMENT		B. APPLICATION NO.	
C. NAME OF APPLICANT			D. PROGRAM YEAR		
			FROM: TO:		
LINE NO.	E. PROGRAM ACTIVITY	AMOUNT	FOR HUD USE ONLY		
1.	ACQUISITION OF REAL PROPERTY				
2.	PUBLIC WORKS, FACILITIES, SITE IMPROVEMENTS				
3.	CODE ENFORCEMENT				
4.	CLEARANCE, DEMOLITION, REHABILITATION				
5.	REHABILITATION LOANS AND GRANTS				
6.	SPECIAL PROJECTS FOR ELDERLY AND HANDICAPPED				
7.	PAYMENTS FOR LOSS OF RENTAL INCOME				
8.	DISPOSITION OF REAL PROPERTY				
9.	PROVISION OF PUBLIC SERVICES				
10.	PAYMENT OF NON-FEDERAL SHARES				
11.	COMPLETION OF URBAN RENEWAL/NDP PROJECTS				
12.	RELOCATION PAYMENTS AND ASSISTANCE				
13.	PLANNING AND MANAGEMENT DEVELOPMENT				
14.	ADMINISTRATION				
15.	CONTINUATION OF MODEL CITIES ACTIVITIES				
16.	SUBTOTAL (Sum of Lines 1 thru 15)				
17.	CONTINGENCIES AND/OR UNSPECIFIED LOCAL OPTION ACTIVITIES (Not to exceed 10% of line 16)				
18.	TOTAL PROGRAM ACTIVITY COSTS (Sum of Lines 16 and 17)				
LINE NO.	F. RESOURCES FOR PROGRAM ACTIVITY COSTS				
1.	ENTITLEMENT OR DISCRETIONARY AMOUNT				
2.	LESS DEDUCTIONS				
3.	ENTITLEMENT/DISCRETIONARY AMOUNT FOR PROGRAM ACTIVITIES (Line 1 minus 2)				
4.	PROGRAM INCOME				
5.	SURPLUS FROM URBAN RENEWAL/NDP SETTLEMENT				
6.	LOAN PROCEEDS				
7.	REPROGRAMMED UNOBLIGATED FUNDS FROM PRIOR PROGRAM YEAR				
8.	TOTAL RESOURCES FOR PROGRAM ACTIVITY COSTS (Sum of Lines 3-7)				

☐ Check box if costs include indirect costs which require approval of a cost allocation plan as required by Federal Management Circular 74-4.

Tables 5 and 6. PROGRAM USES AND BENEFITS ANALYSIS

These data should reflect your final decisions on program uses and benefits. They will replace preliminary data you provided earlier.

Using this jurisdiction's "Activity Description" for both the third and fourth program years, assign a number to each individual project listed (see the sample on page 32). A photocopy of the "Activity Description" for each year, with the project numbers marked, and the "Short-Term Objectives" for each year, should be submitted along with tables 5 and 6.

I. PROGRAM USES: Tables 5 and 6, Columns A-F

- Column A. Project number. Enter the number of each individual project listed on the "Activity Description."
- Column B. Program category. Based on the definitions on page 37, assign each project to a program category and fill in the appropriate number code from the column heading. You may wish to refer to the "Short and Long Term Objectives" and other narrative portions of the application for assistance in making this classification. If a project is part of a neighborhood conservation strategy include a "/N" after the program code (e.g., a social service facility that is part of a neighborhood conservation strategy would be entered as follows: 7/N).
- Column C. Type of activity. Is the project a continuation of a categorical project? A continuation of project begun under CDBG in a previous program year? Use the number code in the column heading.
- Column D. Project status. Is the project completed? In progress? Or planned? Use the number code in the column heading.
- Column E. Dollar allocation. Enter the amount allocated to each project, in thousands of dollars.*
- Column F. Census tract(s). List all census tracts for each project.* If a project area is not coterminous with a census tract(s), enter the census tract data as follows: 202(P), 203(P), etc.

*Columns E and F may be left blank if the photocopy of the "Activity Description" you submit contains COMPLETE dollar and census tract information for EACH project. This approach may be useful for those jurisdictions with a small number of projects encompassing a target area with many census tracts.

PROGRAM CATEGORIES

1. Housing (HSE): housing rehabilitation loans and grants, modernization of public housing, and other housing activities. Code enforcement and demolition and clearance for housing-related activities are included when part of a neighborhood conservation strategy.
2. Neighborhood Conservation (NC): Neighborhood-oriented public works projects such as water and sewer lines, street improvements, parks, recreation, and open space acquisition.
3. General Development (GD): physical development activities which have communitywide benefits or are in neighborhoods that are not part of a neighborhood conservation strategy. In some cases GD projects appear to be a response to problems of population growth; in other cases they appear to be a means of spreading benefits.
4. Urban Renewal Continuation (URC): the continuation or completion of urban renewal activities (property acquisition, public improvements, demolition and clearance, relocation) begun during the categorical period. Also included are management costs and interest payments for these activities.
5. Economic Development (ED): both commercial and industrial development projects ranging from the acquisition of land for an industrial park to technical assistance for minority businessmen.
6. Social Services (SS): health, education, child care, senior citizens, youth, job training, and counseling programs, etc.
7. Social Service Facilities (SSF): the construction, maintenance, and rehabilitation of facilities necessary for the provision of social services
8. Other Public Services and Facilities (PSF): capital and operating expenditures for public services, such as police and security, transportation, garbage collection, and fire protection.
9. Planning and Administration (P&A): planning, management, and administration of the CDBG program. Also included are citizen participation activities, and relocation projects not classified as urban renewal continuation.
10. Nonallocable (NA): allocations for projects that do not clearly fall into any of the above categories.

II. BENEFITS ANALYSIS: Tables 5 and 6, Columns G-I

FOR ASSOCIATES OF CENTRAL CITIES AND SATELLITE CITIES ONLY

For program years three and four we wish to examine the question of income group benefits on a project-by-project basis. The benchmark to be used in all jurisdictions is the SMSA median income. The four income groups are defined as follows:

Low income: less than 50 percent of the SMSA median income
 Moderate income: 51 to 80 percent of the SMSA median income
 Middle income: 81 to 120 percent of the SMSA median income
 High income: 121 percent or more of the SMSA median income

In addition, two other categories are included for allocating benefits: communitywide and nonallocable.

What is a benefit?

Generally, CDBG benefits can be viewed on a continuum, with direct and often observable benefits at one end and indirect and unidentifiable benefits at the other. In this analysis we are interested in the former, that is, in who benefits directly from the completed CDBG project. We are not trying to measure secondary or tertiary benefits. For example, in allocating income group benefits of a housing rehabilitation project, you should consider the income group of the persons occupying the buildings that are rehabilitated. Persons employed to do the repair work and the bank that makes the rehab loan also benefit from the project, but we are not interested in these secondary or indirect benefits. Similarly, in allocating benefits for a senior citizen's center, you should consider the income group of the persons who will use the completed facility and not those who do the construction work, even though the construction jobs come first.

In some cases it will not be possible to anticipate the direct beneficiaries of a completed CDBG project. For example, CDBG funds may be used to build an industrial park before it is known what kind of firms will locate there and thus what kind of persons will be employed. In this case, you may be able to indicate the kind of benefit (i.e., economic development infrastructure) that will result from the completed project but unable to allocate this benefit to any income group(s).

This focus on direct benefits of completed CDBG projects means that in some jurisdictions our social targeting analysis will not encompass all of the community's CDBG allocation. However, we are convinced that the results of the analysis will be more valid than if income group benefits are artificially allocated for projects where such benefits are really unknown and unknowable.

Benefits Analysis (continued)

- Column G. Type of benefit. Using the number code in the column heading, enter the type of program benefit. Will the completed CDBG project provide benefits in the form of jobs? Services? Improved Housing? Economic development infrastructure? Environmental improvements (streets, parks, etc.)? If "other" be sure to explain. If a project has more than one type of benefit, enter all the appropriate benefits separating each by a slash(e.g., a project that has jobs, services, and environmental benefits would be entered as follows: 1/2/4).
- Column H. Benefits propositions. We have developed a set of propositions about the distribution of benefits by income group, depending on the program category. For each project, consider the proposition for the program category to which you assigned it. If you agree that the proposition accurately describes the distribution of benefits among income groups for that particular project, check the "yes" box and we will calculate the benefits for that project using the data on family income from the census tract printout for your jurisdiction. If you disagree with the benefits proposition, check the "no" box and complete column I. If you agree with the proposition but disagree with the benefits allocation because of dated census tract information, check the "yes" box in column H and allocate benefits in column I. Describe the change in character of the census tract in your explanation in the space provided in column I.
- Column I. Income group benefits. If you checked the "no" box in column H, allocate benefits among income groups in five-percentage-point blocks and explain the reasons for your allocation. If you decide that benefits cannot be allocated for a particular project, check the "NA" box and explain why they are nonallocable. NOTE: If in your judgment the CDBG funds for a particular project have substitution effects (i.e., CDBG funds are used to substitute for local spending already planned), check the "NA" box and specify substitution in the space provided for explanations. In our view, income group benefits cannot be assigned for projects with substitution effects because the same benefits would have resulted without the use of CDBG funds. Even though we are not including a fiscal effects analysis in this report we do want to be alert to substitution activities within the context of the benefits analysis since we would expect to discuss the problem in the report.

Program Categories and Benefit Propositions

Housing: Projects benefit the entire neighborhood. Benefits are thus distributed among the four income groups on a proportional basis, based on the percentage of families in each group within each census tract.

Neighborhood Conservation: Same proposition as housing.

General Development: Same proposition as housing.

Urban Renewal Continuation: Projects benefit the entire community. Benefits are thus distributed among the four income groups on a proportional basis, based on the percentage of families in the four income groups within the jurisdiction. Note, however, that there may be cases in which you wish to allocate benefits differently. For example, benefits from a commercial office building project may flow primarily to those who work there once the building is opened. Judging that most of these jobs will be middle income, you may want to allocate most of the benefits from this project to middle-income families.

Social Services: Benefits flow solely to low- and moderate-income families and individuals.

Social Service Facilities: Same proposition as social services.

Other Public Services and Facilities: Same proposition as housing.

Economic Development: Same proposition as urban renewal continuation. Note, however, that you may wish to allocate benefits differently. For example, benefits from commercial development projects flow primarily to those who shop there. You may therefore want to allocate benefits to reflect the income characteristics of the neighborhood(s) in which the project is located.

Planning and Administration: Benefits are nonallocable.

Jurisdiction
Associate

Table 5. Program Data, Year Three

[illegible]

Table 6. Program Data, Year Four

[illegible]

Jurisdiction _____

Associate _____

12. Program Discussion

Note: This table will be completed by the Washington staff; a copy will be sent to you for your records.

Table 7. Program Uses

Program Use	Percent Year Two*	Percent Year Three	Percent Year Four
Housing	_____	_____	_____
Neighborhood conservation	_____	_____	_____
General development	_____	_____	_____
Urban renewal continuation	_____	_____	_____
Economic development	_____	_____	_____
Social services	_____	_____	_____
Social service facilities	_____	_____	_____
Other public services and facilities	_____	_____	_____
Planning & administration	_____	_____	_____
Nonallocable	_____	_____	_____

*Previously assigned from year two CDBG application information

- 12(a) Were there any significant changes in program emphasis between years two and three? Between years three and four? What do you see as the major factors behind these changes (for example, HUD involvement of local factors)?

Round III

Jurisdiction _____

Associate _____

Program Discussion (continued)

- 12(b) In our second report (see pp. 5-30 to 5-37) of the draft) we noted that the local decisionmaking process is an important factor affecting both the basic strategy for the use of CDBG funds and the particular project choices made within that strategy. Under the block grant format local officials must now set their own priorities among many competing demands, including new groups and interests.

Now that you have completed the program analysis for your jurisdiction, what do you see as the relationship between the decisionmaking process and the broad program categories? Between the decisionmaking process and the design of individual programs? Be specific. Relate your analysis to your earlier discussion of influence points, where relevant.

- 12(c) Did this jurisdiction revise its original application for the second- or third-year program in any major ways, or did it change the way in which major projects are designed and operated? If so, what were the revisions and what prompted them? What are the implications and effects of the changes (e.g., a change in income group benefits)?

Jurisdiction _____

Associate _____

Program Discussion (continued)-- FOR ASSOCIATES OF ALL HOLD-HARMLESS JURISDICTIONS --

- 12(d) Year four marks the beginning of the phase-down period for hold-harmless jurisdictions. Was this jurisdiction's grant reduced in the fourth year? If so, by how much? If not, why not? What were the programmatic and institutional effects of this reduction?

-- FOR ASSOCIATES OF NONMETROPOLITAN DISCRETIONARY JURISDICTIONS --

- 12(e) Did this jurisdiction receive funding in year three? In year four? If so, was this an increase or decrease from previous years? What have been the programmatic and institutional effects of the changes in funding that occurred in this jurisdiction?

Jurisdiction _____

Associate _____

13. Benefits Discussion

NOTE: ASSOCIATES FOR NON-METROPOLITAN AND URBAN COUNTY JURISDICTIONS
ANSWER ONLY QUESTIONS 13(b), 13(c), and 13(d).

Note: This table will be completed by the Washington staff; a copy
will be sent to you for your records.

Table 8. Income Group Benefits

Income Group	Percent Year Two*	Percent Year Three	Percent Year Four
Low	_____	_____	_____
Moderate	_____	_____	_____
Middle	_____	_____	_____
High	_____	_____	_____
Communitywide	_____	_____	_____
Nonallocable	_____	_____	_____

*Previously given by you using the older methodology

- 13(a) Now that you have completed the benefits analysis for this jurisdiction, were there any significant changes between years two and three? Between years three and four? What do you see as the major factors behind these changes (for example, HUD involvement or local factors)?

Jurisdiction _____

Associate _____

Benefits Discussion (continued)

- 13(b) Has the distribution of program benefits been an issue in this jurisdiction? How do officials of the jurisdiction perceive the distribution of benefits? Do you agree with their view? (You will find the preliminary data on benefits distribution very helpful in answering this question.)

- 13(c) Indirect effects. What are some of the more significant indirect effects of CDBG program expenditures in this jurisdiction? Discuss both indirect effects that have positive benefits (e.g., a housing rehabilitation program indirectly benefits those persons employed to do the repair work) and indirect effects that have negative costs (e.g., displacement of low income tenants from rehabilitated housing units).

Jurisdiction _____

Associate _____

Benefits Discussion (continued)

13(d) In some jurisdictions associates have noted a tendency among local officials to distribute CDBG program activities in such a way as to provide benefits to a broad range of neighborhoods, subareas, or groups rather than concentrate programs in a few target areas.

(1) To what extent have "spreading" and/or "targeting" of CDBG funds been characteristic of CDBG efforts in this jurisdiction over the first four years of the program?

(2) What actors or factors seem to account for spreading and/or targeting? For example, some associates have reported that citizens and legislatures tend to spread benefits whereas executives are more inclined toward a targeting strategy. Is this pattern in this jurisdiction?

Jurisdiction _____

Associate _____

14. Rate of Spending

What percentage of second-year grant funds remained
unspent at the end of the second program year?

_____ %

What percentage of third-year grant funds remained
unspent at the end of the third year?

_____ %

At the end of the third year, what percentage of
combined first- and second-year funds were unspent?

_____ %

What factors have led to any delays in spending?

Round III

Jurisdiction _____

Associate _____

15. Development Strategy

HUD regulations require communities to submit every third year, beginning with the first application submitted on or after August 1, 1978, a summary of a community development and housing plan. The purpose of this document is to summarize the community development and housing needs of the applicant, and its "comprehensive strategy" for meeting those needs.

15(a) How would you characterize the development strategy of this jurisdiction in year four?

- 1.____ Major redevelopment: emphasis on land acquisition, relocation, demolition and clearance in deteriorated neighborhoods.
- 2.____ Neighborhood conservation: long-term strategy devoted to the preservation of viable neighborhoods with an emphasis on housing rehabilitation, code enforcement, and public services, facilities, and improvements in target neighborhoods.
- 3.____ Community growth: long-term strategy designed to cope with the problems associated with community growth (as opposed to distress resulting from community decline or stagnation) with emphasis on water & sewer, open space, public improvements and facilities.
- 4.____ Eclectic: allocating CDBG funds to deal with a wide range of random needs and demands.
- 5.____ Development strategy still evolving.
- 6.____ Other (explain).

15(b) Discuss your reasons for the characterization of the development strategy for this jurisdiction.

Jurisdiction _____

Associate _____

Development Strategy (continued)

- 15(c) Does your response to question 15(a) represent any significant shift in your community since the program started? If so, in what program year did the shift occur? What do you see as the major reason(s) for the shift(s) (for example, HUD involvement or local factors)?

Jurisdiction _____

Associate _____

- 15(d) How would you characterize the neighborhoods assisted through the CDBG program? For example, some communities have adopted a modified "triage" approach to community development. Local officials have recognized that they cannot afford to use their limited CDBG resources for major upgrading activities in the most deteriorated neighborhoods. Such a strategy would probably fail to restore the areas to a healthy state and would leave little or no resources for community development activities in other areas of the city. Under a modified triage strategy, a city would make cosmetic improvements (street and sidewalk repairs, tree plantings, etc.) in healthy neighborhoods, maintain public services and undertake demolition and clearance activities in the most deteriorated neighborhoods, and concentrate CDBG resources--in the form of physical development and other major upgrading activities--in transitional neighborhoods.

Does this modified triage approach apply to your jurisdiction?
Are there neighborhoods that are being abandoned (in terms of community development activities); whether implicitly or explicitly in this jurisdiction? If so, what has been the response of residents in these neighborhoods?

- 15(e) Is there any evidence of competition between neighborhoods for CDBG funds? Between "downtown" and neighborhoods?

Round III

Jurisdiction _____

Associate _____

16. Nonprofit Organizations

16(a) What proportion of the CDBG block grant for years three and four went to private, nonprofit organizations to implement programs? What types of programs were involved?

<u>Program year</u>	<u>Proportion to nonprofits</u>	<u>Types of activities</u>
Three	_____ %	
Four	_____ %	

16(b) Generally, discuss the role and influence of nonprofit agencies in the CDBG program.

Jurisdiction _____

Associate _____

17. Urban Development Action Grants

17(a) If this jurisdiction has applied for a UDAG grant, please answer the following questions.

How much money was requested? _____

Has the grant been approved? _____

What is the amount of the grant? _____

How much private funding is involved? _____

17(b) Briefly describe the project for which UDAG funds have been requested.

17(c) What is the relationship, if any, between UDAG and CDBG? For example, are UDAG funds being used to substitute for CDBG activities?

Part IV. URBAN COUNTIES

The questions in this section of the Field Analysis Form are to be answered by associates of urban counties only. Other associates should continue with part V.

Jurisdiction _____

Associate _____

18. Allocation Systems

In the second report we noted that urban counties used a variety of mechanisms for distributing CDBG dollars among participating municipalities. Has the allocation system in your jurisdiction changed? If so, in what year was the change made? What is the new allocation system and who prompted the change?

19. County-Municipality Relations

Describe relations between the county and the municipalities participating in its CDBG program. Has CDBG led to greater cooperation between the county and these municipalities? Have any major controversies arisen between the county and the municipalities over a CDBG-related issue?

Jurisdiction _____

Associate _____

20. County Monitoring of Municipal Performance

Recently HUD indicated that it intends to make urban counties more accountable for municipal program performance. Describe county monitoring efforts in this jurisdiction separately for years three and four. Did these efforts differ from those in years one and two? If so, what specifically induced the change?

21. Budgeted Funds and Program Uses

A recent HUD study found that urban counties budget funds differently for incorporated and unincorporated areas. Urban counties have budgeted almost twice as much for unincorporated areas as for incorporated areas. The study also noted significant differences in program uses. Urban counties allocated substantially more funds for housing, water and sewer, and other physical development activities in incorporated areas whereas public services, open space, and neighborhood facilities were the predominant program uses in unincorporated areas. Discuss the principal differences in budgeted funds and program uses between incorporated and unincorporated areas in this jurisdiction.

PART V. HOUSING REHABILITATION

In our next report we plan to expand our analysis of housing rehabilitation programs under CDBG. This section of the Field Analysis Form asks for a description of the housing rehabilitation strategy of this jurisdiction and detailed information on each of the specific rehab programs involved. We want to be able to make the following kinds of distinctions, so please keep them in mind as you answer the questions in this section:

1. Third year activities v. fourth year activities. Although it may be difficult to determine what rehab was done in the third year from what was done in the fourth year (as well as what pre-dated either of the years we are now looking at), we would like to make this distinction as clearly as possible.
2. "Plans" for rehabilitation v. rehab actually carried out. We need to pay close attention to the difference between rehab activities that are planned for (i.e., funds allocated) in the third and fourth year applications, and those rehab projects that are actually carried out, i.e., housing units that have actually undergone rehabilitation.
3. Single-family v. multi-family rehab. The issues, processes and progress have been very different in rehabilitating single-family and multi-family structures. For definitional purposes, we will use HUD's criteria: single-family structures are those containing 1-4 units and multi-family housing contains 5 or more units in a structure.
4. Substantial rehabilitation v. cosmetic rehab. Substantial rehab may involve major work such as replacing heating, plumbing and/or electrical systems, while cosmetic rehab may deal only with the physical appearance of the structure, e.g., painting, tuckpointing, replacement of windows. The processes and problems may be very different in these two levels of rehab. Unfortunately, not all programs fit neatly into these two categories, but we should try to preserve these distinctions whenever possible.
5. Subsidized rehabilitation (e.g., grants, low-interest loans, loan guarantees) v. subsidized occupancy after rehab (e.g., use of section 8 subsidies for renters). This distinction is critical for understanding who benefits from the rehab. The critical issue we want to focus on here is "gentrification," the process of neighborhood residents changing from lower-income to higher-income. If the rehab results in the value of the housing increasing, without providing subsidies for the occupants to continue to live there, lower-income people may be forced to move out of the housing which is now in good physical condition, but which they can no longer afford.

N.B.: ASSOCIATES FOR URBAN COUNTIES

If the county does not have its own housing rehabilitation programs, please monitor the housing rehabilitation program of a participating municipality (or a joint program carried out by two or more municipalities working cooperatively) and answer the questions in this section on the basis of that program. Name of municipality (or municipalities, if you are looking at a joint program) monitored. _____

Jurisdiction _____

Associate _____

22. Housing Rehabilitation Allocations

If this jurisdiction has one or more housing rehabilitation programs, give the amounts allocated for each program, separately for years three and four. A program, as used here, means whatever the jurisdiction defines as a program in its application. Any rehab initiative that the jurisdiction identifies as a separate rehab program on the CDBG application, with a dollar allocation, constitutes a discrete "program" for our purposes. Please indicate for each program whether it is designed to assist single family rehab (1-4 units per structure), multi-family rehab (5 units or more), or both.

Program	Amount allocated		Type of assistance (check)			Program year started
	year three (\$000)	year four (\$000)	single-family	multi-family	both	
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

22(a) Does this represent an expansion or contradiction of the year two rehab program(s)?

Jurisdiction _____

Associate _____

26. Wholly CDBG-Funded Programs

Questions 26a-e apply to those housing rehab programs where only CDBG funds are involved. In these programs, the only funds that are made available to the property owners are loans and grants out of CDBG funds. Private lending institutions are not involved in the program, either because the jurisdiction did not seek such participation, or because it attempted to secure private lenders' participation but was unable to do so. If your jurisdiction has no such program, indicate "Not Applicable" and move on to question 27.

26(a) Did the jurisdiction make an effort to involve private lending institutions in this program? If not, why not? If so, why did the lenders not become participants? Is the program for single-family housing, multi-family housing, or both?

26(b) What kinds of assistance are provided by the jurisdiction--loans? grants? a combination? If loans, what is the maximum amount? Is the interest rate below the market level? By how much? If grants, what is the maximum amount? (Part of the thrust of this question is to determine whether the program is designed to assist "substantial" or "cosmetic" rehab. Identify the level of rehab contemplated by the program.) Describe in detail.

Jurisdiction _____

Associate _____

Wholly CDBG-Funded Programs (continued)

26(c) Who is eligible for assistance? Here we are particularly interested in income limits on eligibility. Is the assistance scaled to the income level? (For example, does the grant amount decrease as the property owner's income rises?)

26(d) Is there a dollar limit or percentage of rehab cost limit on the amount of CD assistance per unit rehabilitated (e.g., a loan, grant or combination cannot exceed \$3,000 per unit)? Is there such a limit per structure (e.g., no more than \$40,000 for an apartment building, no matter how many apartments)?

Round III

Jurisdiction _____

Associate _____

Wholly CDBG-Funded Programs (continued)

- 26(e) Often the rehab assistance is limited to bringing houses or multi-family structures up to the jurisdiction's code standards. In this jurisdiction, what limits, if any, are there on the scope of the rehab work that can be done? Is the rehab work limited to bringing the structure to code standards or can other interior or exterior work be done, such as wallpaper, painting, etc., that are not needed to be in compliance with code standards? Is the rehab assistance part of, or coordinated with, a local code enforcement program?

Jurisdiction _____

Associate _____

27. Participation of Private Lending Institutions

In most jurisdictions, we would expect that private lending institutions would agree to be involved in the rehab programs (even if the lending institutions do not actually make any rehab loans). The following questions (27a-h) apply to those rehab programs where the private lending institution participation is part of the program.

27(a) How are private lending institutions to be involved in the program? (For example, have they set aside or otherwise committed a specified amount of loan funds for the program? Are they going to process the loan applications or otherwise participate in the administration of the rehab program?) Were there any problems in securing the agreement of lending institutions to participate?

27(b) What kinds of assistance are provided by the jurisdiction under each such program--interest rate subsidies? loan guarantees? grants? combination? Describe in detail, e.g., the amount of the interest rate subsidy? amount of loan guarantee fund? maximum amount of grants and how the size of the grant is determined?

Jurisdiction _____

Associate _____

Participation of Private Lending Institutions (continued)

- 27(c) Who is eligible for assistance? Here we are particularly interested in income limits on eligibility. Is the assistance scaled to the income level?
- 27(d) Is there a dollar or percentage limit on the amount of CDBG assistance per property owner (e.g., \$3,000 for each unit rehabilitated)? Is there a per unit or per structure limitation on the overall cost of rehabilitation, including CD assistance plus private rehab loan?
- 27(e) In this jurisdiction, what limits, if any, are there on the scope of the rehab work that can be carried out? Is it just a code enforcement program or can other interior and exterior repairs be included? Is the assistance part of a mandatory code enforcement program?

Jurisdiction _____

Associate _____

Participation of Private Lending Institutions (continued)

- 27(f) Have the participating private lending institutions agreed to make their assistance available to all rehab target neighborhoods in this jurisdiction?
- 27(g) Do the private lending institutions contemplate applying their regular credit and appraisal standards to potential borrowers and structures under this program, or do they intend to make loans to borrowers, or on structures, that do not meet their usual standards?
- 27(h) How many dollars does the jurisdiction anticipate leveraging from private lending institutions for each dollar of CDBG funds allocated? (This question relates to the jurisdiction's plans or expectations. Actual leveraging has fallen far short of these expectations in many jurisdictions to date.)

Jurisdiction _____

Associate _____

28. Actual Income Group Benefits (All Rehab Programs)

Until this point, the questions have focused on the structure of the rehab programs, rather than their implementation. Earlier in the Field Analysis Form we asked you to assess the intended benefits of housing rehab programs by income group. To learn more about the actual benefits, we ask that you examine the records of the first three years of your jurisdiction's housing rehab programs and determine who received assistance. On this basis, allocate benefits among the four income groups in five-percentage-point blocks.

You may find that the needed records are not available, either because of confidentiality or because the jurisdiction simply does not keep records on an income group basis. It may be possible, in that event, to at least determine how many of the multi-family units rehabilitated received section 8 subsidies (for low- and moderate-income people) after rehabilitation. Local officials may also be able to estimate the income group benefits in each of their rehab programs.

Complete the table below for years one and two, and for year three if more than half of the housing rehabilitation funds for the third program year have been spent at the time of reporting.

Actual Income Group Benefits of Housing Rehab Programs (%)

<u>Program</u>	<u>Year</u>	<u>Low income</u>	<u>Moderate income</u>	<u>Middle income</u>	<u>High income</u>	<u>Nonal-locable</u>
	One					
	Two					
	Three					
	One					
	Two					
	Three					
	One					
	Two					
	Three					
	One					
	Two					
	Three					

Cumulative total:
all rehab programs

Amt. and percentage of 1st-year rehab funds spent at time of reporting:	\$ _____
Amt. and percentage of 2d-year rehab funds spent at time of reporting:	\$ _____
Amt. and percentage of 3rd-year rehab funds spent at time of reporting:	\$ _____

Round III

Jurisdiction _____

Associate _____

Actual Income Group Benefits (continued)

28(a) Is the distribution of benefits different from what program officials expected? Why?

28(b) What have been the major obstacles or impediments to implementation of each of the rehab programs? Have these impediments resulted in substantially less rehab having been completed than planned? Have any changes been made in any of the rehab programs in light of the problems encountered? In what year were the changes made and what were these changes? Who prompted the changes? HUD? Local officials? Third parties (e.g., community organizations dissatisfied with the implementation of the programs)?

Jurisdiction _____

Associate _____

29. Type of Units Rehabilitated (All Rehab Programs)

We are interested in finding out what types of housing units are being rehabilitated--owner-occupied or rental? Using the table below, indicate for years one and two the percentage of each type of unit actually rehabilitated. For year four, indicate the percentage of each type of unit expected to be rehabilitated. For year three, if more than half of the rehab funds had been spent at the time of reporting, give the percentage breakdown for units actually rehabilitated. If less than half had been spent, indicate the percentage of each type of unit expected to be rehabilitated in the third program year.

<u>Program</u>	<u>Year</u>	<u>Actually rehabilitated</u>		<u>Expected to be rehabilitated</u>	
		<u>Rental units</u>	<u>Owner-occupied units</u>	<u>Rental units</u>	<u>Owner-occupied units</u>
_____	One	_____	_____	_____	_____
	Two	_____	_____	_____	_____
	Three	_____	_____	_____	_____
	Four	_____	_____	_____	_____
_____	One	_____	_____	_____	_____
	Two	_____	_____	_____	_____
	Three	_____	_____	_____	_____
	Four	_____	_____	_____	_____
_____	One	_____	_____	_____	_____
	Two	_____	_____	_____	_____
	Three	_____	_____	_____	_____
	Four	_____	_____	_____	_____
_____	One	_____	_____	_____	_____
	Two	_____	_____	_____	_____
	Three	_____	_____	_____	_____
	Four	_____	_____	_____	_____
Cumulative total: all rehab programs		_____	_____	_____	_____

Round III

Jurisdiction _____

Associate _____

30. Displacement (All Rehab Programs)

Is there any evidence of displacement of low- and moderate-income individuals and families because of any of this jurisdiction's CDBG housing rehabilitation programs? If so, indicate which program and describe the displacement process; e.g., are the low and moderate income households being replaced by middle and high income households (gentrification)? Why? Where are the displaced people moving?

PART VI. SUMMARY ANALYSIS

This part consists of two questions. Your response to the first question, in which we ask you to discuss the major issues and themes of the third and fourth program years, will be photocopied and sent to all field associates. This question is in reply to the interest expressed at the conference to have mini-case studies for each jurisdiction. In the second question you may discuss any issue or event that you consider important but which you have not yet had an opportunity to discuss in the earlier questions.

Jurisdiction _____

Associate _____

31. Summary Analysis (New question based on conference discussion)

The principal purpose for including this question is to facilitate information sharing among associates. Write a brief summary of the major issues and themes that unfolded during the third and fourth program years. When all the reports are in, these pages will be photocopied and a complete set covering all sample jurisdictions will be sent to each associate.

I. INTERGOVERNMENTAL RELATIONS

II. LOCAL DECISIONMAKING

Jurisdiction _____

Associate _____

Summary Analysis (continued)

III. PROGRAM USES AND BENEFITS

IV. HOUSING REHABILITATION

Jurisdiction _____

Associate _____

32. Final Question

No doubt the Field Analysis Form fails to cover all of the important issues in the CDBG program in this jurisdiction which you think we should know about. Please discuss here aspects of the program which you consider important but which you have not had an opportunity to discuss in response to earlier questions.

APPENDIX 3

CDBG Program Allocations

[illegible]

inued

Program Uses															
Jurisdiction	Year	Total CDBG funds	Housing	Neighborhood conservation	General development	Public Services									
						Public Services and facilities	Urban renewal continuation	Social services	Social service facilities	Economic development	Planning and administration	Multi-category	Non-allocable		
Central cities, (cont'd.):															
Durham, N.C.	1	2324	46	0	32	4	12	2	0	0	5	0	0	0	
	2	2384	28	0	45	0	11	4	0	0	4	0	0	8	
	3	3649	22	10	14	0	28	6	0	0	19	0	0	1	
	4	2302	48	15	13	0	0	12	0	0	6	0	0	6	
East Lansing, Mich.	1	164	11	59	0	0	0	9	0	0	12	3	5	5	
	2	364	22	48	0	0	0	0	0	0	12	5	5	5	
	3	602	29	33	0	0	0	0	0	0	22	0	9	9	
	4	651	40	20	0	0	0	0	0	2	34	0	3	3	
Houston, Tex.	1	13124	48	2	5	6	0	12	4	2	21	0	0	0	
	2	13528	2	0	53	7	0	17	1	2	17	0	1	1	
	3	22644	10	0	61	10	0	8	1	0	10	0	0	0	
	4	24211	1	32	3	6	0	8	15	0	11	20	3	3	
Jacksonville, Fla.	1	5194	10	24	3	0	58	2	3	0	0	0	0	0	
	2	6042	7	27	5	0	51	2	0	0	7	0	0	0	
	3	10018	3	35	5	0	35	3	5	0	11	0	3	3	
	4	10419	14	42	12	0	10	4	0	0	14	0	4	4	
Lansing, Mich.	1	6189	28	18	0	0	0	15	2	3	9	17	8	8	
	2	7211	26	18	0	1	0	15	6	2	17	12	3	3	
	3	6196	21	20	2	0	0	18	0	5	31	0	5	5	
	4	4409	34	3	0	0	0	8	0	3	47	0	5	5	
Los Angeles, Calif.	1	38595	29	1	5	0	32	16	2	3	12	0	0	0	
	2	38595	24	7	5	0	27	17	5	3	14	0	0	0	
	3	48765	23	14	3	11	3	15	7	13	10	0	1	1	
	4	49882	30	10	0	1	8	18	11	13	10	0	0	0	
Lubbock, Tex.	1	5328	53	17	23	0	0	0	4	0	1	1	0	0	
	2	4771	54	12	14	2	7	0	4	0	1	2	6	6	
	3	5328	50	18	18	8	0	0	0	0	1	0	5	5	
	4	4257	36	26	4	1	0	9	12	0	1	0	11	11	

Jurisdiction	Year	Total CDBG funds	Program Uses										Non- Multi- category allocable	
			Housing	Neigh- borhood conser- vation	General develop- ment	Public Services		Urban renewal contin- uation	Social services	Social service facil- ities	Economic develop- ment	Planning and admin- istration		
						and facil- ities	and services							
Central cities, (cont'd.):														
Miami, Fla.	1	3165	0	32	12	0	0	6	9	28	1	9	0	2
	2	5820	10	40	10	0	0	6	5	7	1	10	9	2
	3	9696	31	33	10	0	0	3	4	5	3	6	0	5
	4	10187	31	23	9	0	0	1	3	1	19	6	1	5
Minneapolis, Minn.	1	16709	66	0	2	0	0	2	15	4	0	3	3	6
	2	15933	56	1	0	0	0	0	15	2	0	5	17	4
	3	15010	55	12	0	0	0	0	16	4	9	4	1	0
	4	17365	55	18	0	0	0	1	13	0	2	6	0	3
New York, N.Y.	1	89386	13	0	0	15	1	1	10	0	0	20	40	0
	2	113936	24	0	0	25	11	1	9	0	5	16	10	0
	3	151388	35	2	6	15	1	1	6	0	3	15	15	1
	4	223643	47	2	7	5	1	1	1	1	5	10	22	1
Newark, N.J.	1	20513	4	12	6	0	15	15	17	2	1	20	24	0
	2	20613	4	15	11	0	15	15	23	2	2	20	7	0
	3	19508	23	2	1	3	25	24	2	0	3	20	0	0
	4	17878	27	6	1	3	25	15	15	0	2	20	0	0
Philadelphia, Pa.	1	60829	15	7	17	7	4	4	20	7	4	9	0	10
	2	60829	14	1	9	13	19	15	15	6	4	13	0	7
	3	57163	11	12	0	0	36	1	1	0	10	24	6	0
	4	64952	26	6	0	10	15	7	7	0	12	14	9	0
Phoenix, Ariz.	1	2570	34	5	0	0	61	0	0	0	0	0	0	0
	2	5773	15	2	10	0	69	0	0	2	0	0	0	2
	3	9674	14	14	5	0	59	0	0	1	0	0	0	8
	4	9931	27	14	0	0	12	12	0	12	21	11	2	1
Pittsburgh, Pa.	1	16429	31	18	1	4	7	0	0	4	11	3	0	21
	2	17112	42	19	3	5	12	8	0	2	1	3	0	6
	3	15541	51	21	2	4	11	1	1	0	0	1	0	9
	4	23075	38	25	5	4	3	1	1	1	3	9	0	11

Appendix 3, continued

Jurisdiction	Year	Total CDBG funds	Program Uses										Multi-category	Non-allocable	
			Housing	Neighborhood conservation	General development	Public Services			Urban renewal continuation	Social services	Social service facilities	Economic development			Planning and administration
						and facilities	facilities	services							
Central cities, (cont'd.):															
Portland, Maine	1	5272	9	27	38	4	0	13	6	0	3	0	0	1	
	2	4964	8	21	28	13	0	17	0	8	2	0	0	1	
	3	4542	6	10	25	5	0	22	7	12	4	6	3	3	
	4	3613	17	26	15	6	0	24	0	0	11	0	0	2	
Raleigh, N.C.	1	1555	59	26	0	0	0	4	0	0	7	0	0	5	
	2	1982	69	9	0	0	0	4	0	0	13	0	0	5	
	3	2247	45	31	0	0	0	4	0	0	15	0	0	5	
	4	2205	48	22	0	0	0	4	0	0	21	0	0	5	
Rochester, N.Y.	1	10887	16	0	10	0	33	5	0	8	14	14	0	1	
	2	14437	8	9	8	0	42	1	4	10	11	3	0	4	
	3	13940	14	16	8	0	19	4	2	19	16	0	0	2	
	4	12493	20	15	9	0	14	4	0	19	17	0	0	2	
St. Louis, Mo.	1	15538	18	12	3	3	36	7	13	3	4	2	0	0	
	2	16109	23	8	0	26	24	8	4	3	4	0	0	1	
	3	16496	18	15	0	24	19	9	0	3	10	0	0	1	
	4	34353	32	14	1	18	6	7	1	10	10	0	0	0	
San Jose, Calif.	1	6270	18	22	2	0	40	7	6	0	5	0	0	0	
	2	6245	19	16	1	0	50	1	3	0	10	0	0	0	
	3	6429	24	13	1	0	49	2	0	0	12	0	0	0	
	4	6394	17	16	2	0	42	4	8	0	12	0	0	0	
Seattle, Wash.	1	11141	8	11	22	1	16	17	6	0	1	15	2	2	
	2	10906	6	20	13	4	21	22	4	0	8	1	0	0	
	3	9587	12	29	0	1	21	19	1	0	8	0	9	9	
	4	16241	13	25	14	3	0	20	9	3	10	0	0	2	
Sioux City, Iowa	1	3211	23	28	17	0	17	0	0	0	1	0	0	13	
	2	3628	32	28	20	0	14	0	0	4	2	0	0	0	
	3	3930	17	29	0	0	39	0	0	0	15	0	0	0	
	4	3937	22	23	0	2	32	0	3	0	18	0	0	1	

Program Uses

Jurisdiction	Year	Total CDBG funds	Public Services										Multi- category allocable
			Housing	Neigh- borhood conser- vation	General develop- ment	Public Services and facil- ities	Urban renewal contin- uation	Social services	Social service facil- ities	Economic develop- ment	Planning and admin- istration		
Central cities, (cont'd.):													
Sioux Falls, S.Dak.	1	3284	6	4	27	0	34	0	0	0	10	0	19
	2	3282	5	20	24	0	22	0	0	16	13	0	0
	3	3437	21	6	0	18	0	54	0	0	0	0	0
	4	2318	61	0	0	17	0	9	0	0	12	0	0
Worcester, Mass.	1	6043	5	0	33	0	25	15	3	3	11	1	4
	2	5757	11	0	11	9	17	16	1	18	8	6	2
	3	5374	10	8	5	4	19	15	1	24	12	2	1
	4	5340	24	7	7	3	19	15	6	3	11	7	0
Satellite cities:													
Cambridge, Mass.	1	3708	20	26	0	12	17	2	1	1	7	0	14
	2	3746	35	6	14	0	15	7	2	0	11	0	8
	3	3458	32	23	0	0	13	6	1	0	16	0	9
	4	3331	37	23	0	0	9	19	2	0	9	0	0
Cleveland Heights, Ohio	1	141	39	35	10	0	0	0	0	0	9	0	7
	2	368	22	34	15	0	0	0	0	0	20	0	9
	3	497	20	0	4	0	0	0	0	59	14	0	3
	4	1994	21	3	1	13	0	0	0	36	20	0	6
East Orange, N.J.	1	2519	23	10	1	0	0	23	0	14	12	8	9
	2	2519	15	9	8	0	0	25	0	15	13	5	9
	3	2413	7	9	6	14	0	43	0	3	16	0	2
	4	2258	9	14	4	10	0	39	0	3	19	0	0
El Monte, Calif.	1	367	0	0	26	16	0	10	3	0	35	0	9
	2	852	36	18	29	0	0	0	0	0	8	0	9
	3	1324	26	29	0	0	0	0	30	0	5	0	10
	4	1367	8	65	4	0	0	0	9	0	6	0	8
	1	222	47	22	0	0	0	0	14	0	16	0	2
	2	527	41	29	0	0	0	0	7	0	15	0	8
	3	797	43	20	0	0	0	0	0	0	9	25	4
	4	1871	48	20	0	0	0	7	3	0	7	8	7

Appendix 3, continued

Jurisdiction	Year	Total CDC funds	Program Uses										Multi- category	Non- allocable	
			Housing	Neigh- borhood conser- vation	General develop- ment	Public			Urban renewal contin- uation	Social services	Social service facil- ities	Economic develop- ment			Planning and admin- istration
						General develop- ment	Services and facil- ities	Social services							
Satellite cities, (cont'd.):															
Greece, N.Y.	1	300	0	0	73	0	0	0	0	0	0	0	27	0	0
	2	348	22	41	0	3	0	0	0	0	0	0	35	0	0
	3	577	13	69	0	1	0	0	0	0	0	0	17	0	0
	4	556	18	48	0	0	0	0	0	0	0	0	34	0	0
Huntington Beach, Calif.	1	460	24	33	0	0	0	3	11	0	7	23	0	0	0
	2	690	1	54	0	0	0	6	39	0	0	0	0	0	0
	3	1538	23	33	0	0	0	13	21	3	2	0	0	6	0
	4	1259	22	61	0	0	0	0	6	0	7	0	0	3	0
Lakewood, Colo.	1	226	22	0	57	0	0	0	0	0	21	0	0	0	0
	2	502	29	71	0	0	0	0	0	0	0	0	0	0	0
	3	885	16	66	0	0	0	0	0	0	18	0	0	0	0
	4	885	39	36	15	0	0	0	0	0	10	0	0	0	0
Miami Beach, Fla.	1	564	82	0	0	0	0	0	0	0	9	9	0	0	0
	2	1251	16	0	0	0	0	0	45	0	20	19	0	0	0
	3	2099	5	9	46	0	0	10	2	2	25	0	0	0	0
	4	2165	14	19	11	10	2	2	13	1	27	3	0	0	0
Mount Vernon, N.Y.	1	2590	19	0	0	13	0	0	0	0	8	46	0	0	0
	2	2590	0	6	0	28	1	1	0	19	9	35	1	1	1
	3	2909	0	17	0	6	0	7	0	6	8	54	3	3	3
	4	2294	9	16	0	1	0	19	8	1	10	33	3	3	3
Santa Clara, Calif.	1	357	17	21	45	0	0	0	3	0	9	0	5	5	0
	2	598	22	23	33	0	0	0	10	0	5	0	7	7	0
	3	996	25	25	0	0	0	0	4	35	6	0	5	5	0
	4	969	22	39	5	0	0	0	13	15	6	0	0	0	0
Scottsdale, Ariz.	1	1832	4	28	15	0	0	5	17	0	13	9	8	8	0
	2	1832	4	21	40	2	2	1	14	2	14	0	3	3	0
	3	1832	17	34	8	0	0	0	3	2	7	13	4	4	0
	4	1832	13	25	0	0	0	0	22	0	13	27	0	0	0

Program Uses

Jurisdiction	Year	Total CDBG funds	Public										Multi-category	Non-allocable
			Housing	Neighborhood conservation	General development	Services		Urban renewal continuation	Social services	Social service facilities	Economic development	Planning and administration		
						and facilities								
Urban counties, (cont'd.):														
Los Angeles, Calif.	1	14461	4	36	3	0	7	18	3	0	19	0	10	
	2	17533	17	26	17	0	7	5	10	1	10	0	8	
	3	29431	33	15	11	1	2	3	9	1	15	0	11	
	4	29645	36	20	11	2	2	2	6	1	15	0	6	
Orange, Calif.	1	1355	20	40	0	0	0	1	0	3	22	6	9	
	2	3008	22	14	4	0	0	1	2	0	4	0	54	
	3	4837	40	21	0	0	0	1	13	3	5	3	14	
	4	4538	52	26	0	0	0	2	5	3	10	0	3	
St. Louis, Mo.	1	2034	11	0	66	2	0	2	0	5	8	0	6	
	2	4618	27	0	42	2	0	0	4	9	6	0	9	
	3	7690	24	6	44	0	0	1	2	7	6	0	9	
	4	8338	25	8	48	0	0	1	1	2	9	0	7	
Nonmetropolitan:														
Alma, Mich.	1	529	24	12	0	7	0	0	2	4	15	30	6	
	2	532	23	25	0	0	0	0	1	35	5	8	4	
	3	533	21	24	0	0	0	0	1	38	14	0	1	
	4	347	28	53	0	0	0	0	0	0	15	0	4	
Bangor, Maine	1	1172	70	4	0	0	0	1	0	0	13	0	12	
	2	1172	71	6	0	0	0	0	0	0	14	0	9	
	3	1583	33	22	0	0	28	0	0	0	13	0	5	
	4	900	21	19	13	0	12	0	0	0	27	0	8	
Carbondale, Ill.	1	2930	13	4	8	1	27	20	4	3	15	0	5	
	2	2715	16	0	4	0	30	26	2	2	16	0	4	
	3	2592	15	0	8	0	30	28	2	2	15	0	0	
	4	1746	19	0	0	0	30	33	2	1	16	0	0	
Casa Grande, Ariz.	1	235	89	0	0	0	0	0	0	0	11	0	0	
	2	111	100	0	0	0	0	0	0	0	0	0	0	
	3	140	99	0	0	0	0	0	0	0	1	0	0	
	4	441	49	51	0	0	0	0	0	0	1	0	0	

Appendix 3, continued

Jurisdiction	Year	Total CDBG funds	Program Uses										Multi-category	Non-allocable
			Housing	Neighborhood conservation	General development	Public Services		Urban renewal continuation	Social services	Social service facilities	Economic development	Planning and administration		
						and facilities	facilities							
Urban counties:														
Allegheny, Pa.	1	6456	39	4	5	0	0	0	8	4	2	30	0	7
	2	7791	22	10	49	0	0	0	3	0	0	7	0	9
	3	8449	24	0	52	0	0	0	0	0	8	9	0	8
	4	13183	34	3	12	0	0	0	2	0	27	12	0	11
Cook, Ill.	1	3246	16	15	2	0	0	0	0	54	0	11	0	2
	2	8263	19	44	4	0	0	0	1	10	8	13	2	0
	3	14060	16	33	10	1	1	1	1	3	4	15	5	11
	4	15166	12	46	1	15	1	1	1	10	6	8	0	0
Dade, Fla.	1	18051	0	4	7	0	0	27	0	12	3	12	31	4
	2	21358	17	12	3	0	0	23	7	14	2	5	9	8
	3	21103	29	20	5	0	0	0	7	17	3	12	2	6
	4	16330	23	18	5	1	10	0	10	9	10	14	4	6
DeKalb, Ga.	1	825	3	54	0	0	0	0	0	34	0	6	0	3
	2	1855	7	66	0	0	0	0	0	19	0	5	0	3
	3	3232	4	92	0	0	0	0	0	0	0	3	0	0
	4	3274	31	35	0	0	0	0	0	9	5	11	0	10
Harris, Tex.	1	961	0	0	25	60	0	0	0	0	0	6	0	9
	2	3006	0	0	55	31	0	0	0	2	0	5	0	7
	3	5032	0	0	76	12	0	0	0	0	0	10	0	2
	4	4676	7	0	55	20	0	0	0	0	0	13	0	5
Hennepin, Minn.	1	737	14	15	20	0	0	0	0	8	4	39	0	0
	2	1754	15	26	22	3	0	0	0	1	8	21	0	4
	3	3064	16	33	32	3	0	0	0	3	4	6	0	4
	4	3084	46	0	30	0	0	0	0	7	0	6	0	11
King, Wash.	1	1499	24	0	41	0	0	0	9	2	0	18	2	5
	2	3605	16	1	43	0	0	0	7	9	0	15	9	0
	3	5538	19	16	24	0	0	0	6	12	1	16	2	4
	4	5706	22	1	38	1	1	0	9	8	0	19	0	2

Appendix 3, continued

Jurisdiction	Year	Total CDBG funds	Program Uses										Multi- category	Non- allocable	
			Housing	Neigh- borhood conser- vation	General develop- ment	Public			Urban renewal contin- uation	Social services	Social service facil- ities	Economic develop- ment			Planning and admin- istration
						facil- ities	and facil- ities	services							
Nonmetropolitan, (cont'd.):															
Charlottesville, Va.	1	1050	30	45	0	4	0	0	21	0	0	0	0	0	0
	2	1049	38	29	13	0	0	0	20	0	0	0	0	0	0
	3	1034	33	60	1	0	0	0	5	0	0	0	0	0	0
	4	840	25	68	0	0	0	0	6	0	0	0	2	0	0
Florence, S.C.	1	1028	4	86	0	0	0	0	4	0	0	0	6	0	0
	2	1028	0	36	4	0	0	57	0	0	0	0	3	0	0
	3	1028	9	9	0	0	0	77	0	0	0	0	3	0	2
	4	616	0	87	0	0	0	0	0	0	0	0	13	0	0
Marlborough, Mass.	1	1068	10	7	14	22	0	0	0	28	0	0	12	0	6
	2	1068	19	34	0	15	0	0	7	9	0	0	8	0	9
	3	1068	25	30	0	16	0	0	3	9	0	0	7	0	9
	4	695	24	18	4	0	0	22	14	0	0	0	10	0	8
Plainview, Tex.	1	200	6	51	40	0	0	0	0	0	0	0	3	0	0
	2	250	4	81	0	0	0	0	0	0	0	0	6	0	9
	3	250	37	56	0	0	0	0	0	0	0	0	7	0	0
	4	600	13	63	0	0	0	0	0	0	17	8	0	0	0
Pulaski County, Ill.	1	301	3	0	0	0	0	0	0	83	0	0	13	0	0
	2	111	61	0	0	0	0	0	0	27	0	0	0	0	12
	3	500	63	0	0	7	0	0	0	6	0	0	24	0	0
	4*	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Field research data.

* Pulaski County, Illinois, did not receive funding in the fourth year.

APPENDIX 4 .

Housing Rehabilitation

Appendix 4

HOUSING REHABILITATION

This appendix discusses various aspects of housing rehabilitation activities involving CDBG funds. It is intended primarily as a summarization of the kinds of rehabilitation programs being carried out with CDBG funds, the complexity of the rehabilitation process, and the recurring problems encountered by communities in implementing these activities. The final section is a discussion of the displacement effects of CDBG-funded housing rehabilitation.

History of Rehabilitation Policy

The current focus on housing rehabilitation in many cities builds on a two-decade history of public policy development in this area. The policies and programs of the 1970's reflected both the changing reality and perception of urban housing problems. In 1968, a presidential commission proposed and Congress adopted a national housing goal of 26 million additional units in the following decade, with 6 million of the units to be subsidized. The problem was defined as a massive housing shortage. However, with the net out-migration from the older central cities in the 1960's and 1970's, the emphasis of officials and citizens increasingly shifted to preserving, maintaining, and renovating the existing housing stock rather than embarking on major new construction programs. Local officials also attempted to use rehabilitation as a focus for efforts to arrest neighborhood decline. The deterioration of the housing stock is perhaps the most visible symbol of the decline of a neighborhood. Although previous experience with neighborhood redevelopment made it clear that addressing the housing problem is not all that is needed, such efforts may symbolize the local government's intent to attack neighborhood problems. Moreover, rehabilitation provides a vehicle for tackling blight without necessarily causing the massive displacement associated with the early period of the urban renewal program, which featured large-scale clearance and demolition projects. Finally, the interest in rehabilitation was fueled by a number of other events affecting the housing market during this period, including substantial inflation in the cost of constructing new housing, environmental regulations such as sewer moratoria, which impeded new

construction, and the beginning of an apparent trend of some people to move back to the cities as a result of various factors--changing household size, lifestyles, mortgage lending patterns, and energy shortages. These changes in the context made new construction more difficult and rehabilitation of the existing housing stock more appealing than in the period after World War II.

In the 1960's, the Federal Government began to support substantial amounts of rehabilitation through grants to cities for concentrated code enforcement and urban renewal projects that emphasized housing rehabilitation. Congress also enacted the section 312 low-interest rehabilitation loan program in 1964 and the section 115 rehabilitation grant program for low-income households in 1965, both of which provided assistance to individual property owners wishing to rehabilitate their residences in areas targeted for renewal or code enforcement.¹ In 1969, HUD also launched "Project Rehab," a relatively large scale effort to rehabilitate apartment buildings in a number of cities. Project Rehab utilized existing rehabilitation programs of the Federal Housing Administration (FHA) in target neighborhoods, attempting to cut through red tape to maximize the impact of the rehabilitation and complete the work as quickly as possible. To make many of these apartments accessible to moderate-income households after the rehabilitation was completed, HUD made available subsidies through the section 236 program. Section 236, enacted in 1968, facilitated the reduction of the rent that tenants were required to pay by subsidizing the interest rate the building owner paid on the mortgage to as low as 1 percent.

When it created the section 236 program, Congress also established the section 235 program, an interest subsidy program that was available for occupants of rehabilitated housing. Section 235 assisted families in purchasing homes--as contrasted with the assistance in rental units provided under section 236--by subsidizing the interest rate down to as low as 1 percent; this was later amended to provide the subsidy down to 5 percent. Most of the section 235 purchasers bought new homes. However, some of the section 235 funds went to purchase homes that had undergone substantial rehabilitation, although in some cases poorly done, thus enabling lower income families to benefit from the renovation process.

1. The section 312 program provided loans at a 3 percent interest rate. Amendments to the program in 1978 provided for variable interest rates for the higher income property owners, limiting the 3 percent rate to low- and moderate-income groups. The section 115 program provided outright grants up to \$3,500 to eligible low-income owners.

By the time the CDBG program was enacted in 1974, some of the earlier rehabilitation-related initiatives had been phased out. "Project Rehab" had been completed. New activity under sections 235 and 236 had been halted by an administration moratorium in early 1973, in part as a result of serious problems in the administration of the programs. Section 235 was later reactivated in a modified form; section 236 has not been active since that time. Moreover, urban renewal and concentrated code enforcement were among the categorical programs folded into the CDBG program. However, with the phasing out of some of these rehabilitation-related initiatives, others were enacted to take their place. One of the major initiatives from the 1960's--the section 312 program--remained in operation. The section 312 program was originally slated to be consolidated into the CDBG program, but because of its popularity in Washington and among local officials and residents it was retained and subsequently expanded as part of the Carter administration urban policy.

The initiatives of the 1970's included the section 8 program that was enacted in the same legislation as the CDBG program.² One part of the section 8 program provides rent subsidies for lower income households moving into substantially rehabilitated dwelling units. A variation was later developed which provides subsidies to tenants of units having undergone moderate amounts of rehab. In the mid-1970's,

2. Section 8, 42 U.S.C. 1437f et seq. (1974), of the Housing and Community Development Act of 1974, authorizes HUD to make rent subsidy payments on behalf of qualifying lower-income persons renting new, substantially rehabilitated, or existing housing. The statute also authorizes the agency to make payments to developers or public housing authorities who plan to build or rehabilitate housing that will be rented by tenants eligible for section 8 assistance. In 1979, a moderate rehabilitation component of section 8 was added as well. Generally, a family may qualify for assistance under the section 8 program if its income does not exceed 80 percent of the median family income in the area, with adjustments made by the Secretary of HUD for larger or small families.

Neighborhood Housing Services (NHS),³ the Urban Homesteading Program,⁴ the Urban Development Action Grant (UDAG),⁵ the Home

3. Neighborhood Housing Services (NHS), based originally on a Pittsburgh neighborhood reinvestment model, is a community-run program replicated by the National Neighborhood Reinvestment Corporation (NRC). The NRC is an independent federal corporation which evolved from collaboration between the Federal Home Loan Bank Board and the Department of Housing and Urban Development. Each local NHS organization brings together neighborhood residents, city government, and lending institutions to focus reinvestment efforts in a small neighborhood area. NHS secures commitments from the city to enforce housing codes and improve services and facilities in the NHS area and from lending institutions to make rehabilitation loans in the area. NHS works with community organizations in the area as one of the three parties considered critical to this neighborhood upgrading effort. The NRC has provided most NHS's with a grant to start a revolving loan fund to make subsidized loans to nonbankable residents. The NRC and its predecessors have developed over 80 NHS organizations in cities across the Nation. Each NHS is an independent, locally supported, nonprofit, State-chartered corporation.

4. Urban Homesteading is a method of dealing with the problem of abandoned housing. Since the early 1970's, local governments have acquired abandoned homes through a variety of mechanisms for the purpose of selling them to homesteaders who agree to rehabilitate and live in them. In the Housing and Community Development Act of 1974, Congress created a Federal urban homesteading program, 12 U.S.C. 1706e. Under this statute, HUD can transfer properties it has acquired through foreclosure of FHA-insured mortgages to local and State governmental bodies, at little or no cost. The properties are then conveyed at a modest cost to families who agree to occupy the homes for a specified period and make the needed repairs as determined by the local government.

5. These grants were authorized by the Housing and Community Development Act of 1977, which added a new section 119 to the Housing and Community Development Act of 1974. UDAG grants have been used in part for residential rehabilitation in some recipient jurisdictions.

Mortgage Disclosure Act,⁶ and the Community Reinvestment Act⁷ were added to the Federal tool-kit. NHS brings together neighborhood residents, city government, and lending institutions to focus reinvestment efforts in a small neighborhood area. Urban homesteading attempts to deal with the problem of abandoned housing by making these homes available at a token fee to families that agree to make needed repairs. UDAG is a HUD grant to assist distressed cities and urban counties in revitalizing their economic bases and reclaiming deteriorated neighborhoods. The Home Mortgage Disclosure Act and the Community Reinvestment Act focused on the need for mortgages and related kinds of credit in urban neighborhoods. The former, enacted in 1975, requires that financial institutions disclose on a systematic basis the volume and location of their residential mortgage loans, while the latter provides that financial institutions have an "affirmative obligation to help meet the credit needs of the local communities in which they are chartered," including low- and moderate-income areas. In addition to these varied Federal initiatives of the 1970's, many State and local governments joined in the rehabilitation effort, frequently adopting programs that were variations on these Federal themes. In case further evidence was needed, the widespread use of CDBG funds for housing rehabilitation as noted in chapter 5, confirms that rehabilitation is a fact of urban life in the late 1970's. Local initiatives have been facilitated by an increasing congressional interest in housing rehabilitation since the program was enacted in 1974. In the original CDBG legislation, block grant funds could be spent for rehabilitation only if it was incidental to other eligible activities being carried out in a particular neighborhood.

6. Home Mortgage Disclosure Act, 12 U.S.C. 2801 et seq. (1975). The information to be disclosed includes, inter alia., the lending institution's origination or purchase of mortgage loans during each fiscal year, the number and dollar amount of each mortgage by census tract or zip code, and the number and value of loans to nonoccupant buyers and for home improvements.

7. Community Reinvestment Act (CRA) 12 U.S.C. 2901 (1977). The lending institutions are to prepare "CRA statements" indicating what steps they are taking to meet this affirmative obligation. These statements are used by the Federal regulatory agencies as they consider requests by the lending institutions for permission to make changes in their operations such as opening up branch offices or moving the home office.

In the 1977 CDBG amendments, Congress recognized rehabilitation as an independently eligible activity, thus making the legislation reflect what was happening with a significant amount of CDBG funds at the local level.

At the community level, CDBG funds were viewed as a major new resource for housing rehabilitation and neighborhood revitalization. CDBG-funded rehabilitation programs could also bring the resources of private lending institutions to bear on the housing problems of those who had not been able to access the private lending market--the lower income groups in higher risk areas. Many of the alternative activities that could be undertaken with CDBG funds did not offer comparable leveraging opportunities. Private funding was not likely to be available to fund social service activities or to install street lights or repair sewers. Housing rehabilitation, on the other hand, held out the promise of assistance from the private sector that could result in a total public-private investment far larger than what could be spent through CDBG funds alone. Further, unlike some other activities that could be undertaken with CDBG funds (such as the building or renovation of senior citizens' or multipurpose centers), housing rehabilitation also increased the city's tax base. In sum, many CDBG recipients came into the program with an interest in housing rehabilitation and found these Federal funds a useful vehicle for implementing a variety of local development objectives.

Allocations and Program Models

Allocations

An important caveat is necessary before proceeding with this discussion of CDBG-funded rehabilitation programs. With the burgeoning rehabilitation efforts of the 1970's, an analysis of rehabilitation carried out with CDBG funds covers only a portion of a much larger process going on in cities, suburbs, and rural areas. The CDBG-funded rehabilitation may represent the major share of the rehabilitation occurring in a particular jurisdiction or only a minor part of the action. This analysis cannot always discern the role of CDBG-funded rehabilitation in a locality's total rehabilitation picture; it is a study of the rehabilitation aspects of the CDBG program, rather than the housing rehabilitation process per se in these jurisdictions. There may be other federally funded rehabilitation activities in many of these jurisdictions, as well as State or locally financed efforts. In addition, much

of the rehabilitation is without benefit of direct governmental assistance. There is gold in the Capitol Hill's and other renovated older neighborhoods which are attracting middle and upper income people to areas with older housing in what are becoming fashionable locations in cities throughout the country. And in a number of cities much of the privately financed rehabilitation--ranging from cosmetic to gut rehabilitation--has been carried out in conjunction with the conversion of apartment buildings to condominiums.

Thus, a significant amount of the rehabilitation puzzle in many of these places does not emerge from this discussion and the number and size of the missing pieces often is not known. Where other rehabilitation efforts are in some way "coordinated" with CDBG-funded activities, their presence is noted. Otherwise, non-CDBG-funded rehabilitation initiatives are beyond the scope of this study.

As noted in chapter 5, by the fourth year of the CDBG program every jurisdiction in the sample had allocated funds for at least one rehabilitation program in at least one of the program years. From the outset, most of the sample jurisdictions designated funds for this activity. In each program year, there was a small increase in the number of jurisdictions that allocated CDBG funds for this purpose. Not only has the number of jurisdictions involved in rehabilitation increased over the 4 program years, but the level of expenditures has also increased, going from \$78.4 million in the first program year to \$212.8 million in the fourth program year.

Program Models

CDBG funds were allocated for a wide variety of rehabilitation activities.⁸ Most of the programs were directed at single-family units (by HUD definition these involve structures with one to four dwelling units). Among the individual programs identified by associates, 100 were directed exclusively toward single-family, owner-occupied homes; an additional 27 provided assistance to single-family dwellings that were owner or renter occupied. Twenty-seven programs were for the rehabilitation of multifamily structures. Thirty-one provided assistance to both single-family and multifamily structures.

8. The program models discussed here involve rehab going beyond the "surface" programs, such as those involving distribution of free paint to homeowners.

There appears to be a variety of explanations for the preference for single-family homes. In a number of the jurisdictions, most of the housing stock, particularly the older housing which is most likely to be in need of rehabilitation, is in single-family structures. Even in jurisdictions with substantial amounts of older multifamily housing, however, there was a tendency to begin to tackle single-family structures. This approach was designed, in part, to avoid the problem of displacement (see discussion below) and the social and political problems it had caused in earlier revitalization efforts. Single-family programs were also seen as less complex and easier to get underway than those involving larger structures.

Among the single-family programs a variety of funding approaches was used: (1) grant programs; (2) direct loan programs; (3) interest subsidies; (4) loan guarantees; and (5) combinations of these. In the multifamily activities the programs generally involved interest subsidies and public housing renovation. With the exception of public housing renovation, the rehabilitation programs tended to be part of a neighborhood conservation efforts. However, some specialized and limited programs--such as weatherization, energy conservation, and paint-up, fix-up programs--tended to be spread more widely within a community.

Single-Family Programs

Homeowner Grants. This is the single-family program which almost invariably is designed to assist owner-occupants, rather than absentee landlords who are renting out their homes. In some cases, the occupants may be renters in structures of up to four units. Generally, the assistance is in the form of a front-end grant to the property owner, which may cover part or all of the cost of rehabilitation. In some instances, the grant is provided in the form of a cash rebate to reimburse the homeowner for expenses incurred in the rehabilitation process.

Generally, the grant programs tend to set income ceilings for participation to insure that the beneficiaries are lower income households.

The scope of the rehabilitation permitted is usually the local code standards and is frequently related to a code enforcement program. However, the programs often include some cosmetic repairs as well to increase the effect of the renovation on the surrounding neighborhood or to increase

the appeal of the program for property owners. In Rochester, for example, rehabilitation activities were not limited to code-related repairs. However, grant recipients were required to bring the property up to health and safety standards before using grant funds for other rehabilitation work. In Charlottesville, permissible improvements beyond code requirements included smoke and heat detectors, ramps and special plumbing for the handicapped, painting, caulking, insulation, and storm windows. The Marlborough, Mass., associate reported that homeowners must bring their properties up to code standards, but once having done that they may use grant funds for other eligible activities, including roofing, siding, and insulation. In program year 3, Florence, S.C., allocated \$90,000 for a rehabilitation grant program which combines the following general characteristics.

Capsule A-1. Florence, S.C.

Those eligible for the rehabilitation program are owner-occupants in the low-income category. Although there is no official limit on the maximum income which can qualify for the program, low income is defined as below \$4,900 per year for a family. The maximum grant is \$10,000 which contemplates substantial improvements. The purpose of the rehabilitation is to bring the structures at least up to local code standards. Improvements unrelated to code requirements may be made if the \$10,000 limit is not exceeded, but city officials do not anticipate that funding will be available for much cosmetic work.

The grant approach may be adopted for a variety of reasons. In some cases, the jurisdiction has determined that leveraging of private loan funds to cover the full cost of rehabilitation is not feasible. Local officials or lenders may have concluded that such loans are not a good risk, because of low incomes of the property owners, the condition of the structures, or the character of the neighborhoods where such loans might be made. Where local officials were unsuccessful in obtaining the participation of lenders, they often developed the grant program as an alternative way of assisting property owners. For example, the Philadelphia associate reported that the city made some efforts initially to involve private lending institutions, but was unsuccessful because of the low-income eligibility limits of the program and the provision of the city's program which enables anyone in a designated geographic area to qualify for a loan, regardless of income. In other jurisdictions, local officials did not intend to involve private lenders because they decided at the outset that they wished to assist lower income property owners who might not be able to repay a loan no matter how low the interest rate. The

Rochester associate reported, for example, that local officials did not attempt to involve lending institutions in the component of the city's program focused on the rehabilitation of one- to four-family units occupied by low-income families.

In a few jurisdictions rehabilitation grants have a broader purpose than only assisting lower income people. The use of grants has been an incentive to keep middle-income families in or attract them to older neighborhoods where the housing is in need of renovation. Jacksonville's Springfield Homestead Rehabilitation Grant Program, which began with a \$100,000 allocation in the third program year, is illustrative.

Capsule A-2. Jacksonville, Fla.

The Springfield Homestead Rehabilitation Grant Program is designed to attract new home buyers into the Springfield area. Each grant is for \$2,000 which may be used by new homeowners to bring their property into compliance with minimum housing code standards or, if in compliance, for other physical improvements such as electrical, plumbing, or structural work. Homeowners must agree to reside in the property for a minimum of 36 months after completion of the rehabilitation work. If the agreement is broken, the grant must be repaid in full. The program places no income level restrictions on eligibility. Assistance is available to all new homeowners within the designated area.

The neighborhood stabilization approach is used in Worcester, Mass., which has allocated about \$1.75 million for rehabilitation since the program started. This program provides grants to families with adjusted gross incomes up to \$17,500. The neighborhoods targeted for assistance have a mix of income groups and it was felt that to achieve neighborhood stabilization funds must be made available to a broad range of income groups and not just to lower income residents.

Homeowner Direct Loans. Like the grant programs, direct loans are also oriented toward single-family housing, emphasizing rehabilitation to code standards but also allowing noncode improvements. The potential recipients are usually owner-occupants, although these programs are more likely to permit participation of absentee owners than the grant programs. This approach is modeled after the Federal section 312 program. The local government administers the program and makes the loans, as under the section 312 program. Property owners pay a significantly lower interest rate than they would pay at a lending institution; in some cases as low as 1 percent and in others as high as 5 or 6 percent.

Generally the CDBG funds are put into a revolving fund; as loans are repaid, the funds are reloaned to other eligible property owners. This program does not involve leveraging of private funds, but depends entirely on CDBG funds. In some cases local officials adopted this approach at the outset because they believed the CDBG funds available for rehabilitation were adequate to meet the immediate needs and it was not necessary to leverage private funds. For example, the associate for Alma, Mich., reported that city officials felt that the CDBG and section 312 funds would enable them to handle their rehabilitation needs adequately. Others determined that the negotiation process with lenders was too time-consuming or they were unable to secure their involvement.

Direct loan programs tended to be focused on moderate- and middle-income property owners, who would be expected to be able to repay the loans at the reduced interest rate. Most of these programs had income ceilings for eligibility which were higher than those in the grant programs, thus making some middle-income households eligible. Dade County's single-family rehabilitation loan program contains several variations of the direct loan concept.

Capsule A-3. Dade County, Fla.

Under this single program, four different loan programs are available, three of which involve direct CDBG loans to property owners: (1) a 3 percent CDBG loan; (2) 3-percent CDBG deferred-payment piggy-back on a 312 loan; and (3) emergency loans. Private lenders were not willing to participate in programs focused exclusively on low- and moderate-income households. All of these options are limited to low- and moderate-income owner-occupants of single-family homes. The work must first meet all requirements of the county's code; thereafter various structural or cosmetic improvements are permitted up to 25 percent of the loan, except that the emergency repair loans are limited to the correction of housing code violations considered to be presently or potentially hazardous. The 3-percent CDBG loan alone, or as a supplement to a section 312 loan, may not exceed \$17,400. The emergency repair loans are limited to \$5,000, and the payments are deferred until the property changes ownership.

In most cases, the direct loan programs operate independently of other rehabilitation programs. However, in some cases they were linked with grant programs. In Alma, Mich., the maximum grant available is \$5,000 and the maximum loan is \$3,500 at a 3-percent interest rate for a maximum of 15

years. In Durham, N.C., a combination program is designed to provide some assistance to moderate-income property owners who do not qualify for a 100-percent grant. The maximum loan/grant combination in that city is \$7,200, half grant and half loan. The Portland, Maine, associate also reported that the city provides combinations of loans and grants as well as separate loans and grants to different property owners.

Homeowner Leveraged Interest Subsidies. This model is similar in many ways to the "direct loan" program. The financial assistance involves a reduced interest rate on a rehabilitation loan. The difference is that the loans are made by private lenders, with CDBG funds used to pay the interest subsidy to lower the interest rate from the market interest rate to anywhere from 1 percent to 6 or 8 percent. Thus, this approach relies on leveraging of private loan funds. Local officials seek through this vehicle to multiply the funds available for rehabilitation by drawing on the resources of lending institutions. Lenders, on the other hand, participate in such programs for a variety of reasons, including the protection of prior investments they may have in the areas involved and their confidence in the ability of local officials administering the program. The Durham associate reported that local officials attributed a local lending institution's willingness to provide assistance to (1) civic service/community improvement norms, (2) the fact that this was the city's leading locally headquartered bank, and (3) the small amount of money involved--a \$35,000 potential commitment at that point.

As in the direct loan programs, the leveraged programs tend to be focused on moderate- and middle-income groups as the intended beneficiaries of the program. The programs often operate independently of other rehabilitation programs and attempt to provide adequate loan funds to bring the structures up to local code standards, with additional esthetic improvements permitted in some jurisdictions. Pittsburgh's Home Repair Loan Program provides an example of the interest subsidy technique, involving loans from financial institutions.

Capsule A-4. Pittsburgh

The Home Repair Loan Program makes private loans available to single-family homeowners at a subsidized interest rate of 3 percent. The loans are made by private lending institutions and the interest subsidy is financed with CDBG funds. The program is available to homeowners with less than \$15,000 annual income. While the program specifies the income qualifications for the potential applicants, the par-

participating bank determines on the basis of its own credit standards, the "bankability" of the individual loan applicants. Under this program, the participants may borrow up to \$12,000 for a single-family dwelling, although the average size of the loans has been about half that figure. Homes must be brought up to code standards before other cosmetic improvements may be made.

Homeowners Loan Guarantees. A final common approach to assisting single-family homeowners is through guaranteeing loans that are made by private lenders. This approach also involves leveraging of private loan funds. Some local officials have found guarantees to be a more effective leveraging device than interest subsidies. The incentive for lenders to participate is that CDBG funds guarantee the loans in case of default by the property owner. CDBG funds are set aside and often deposited in participating lending institutions to guarantee 100 percent of the loan or some portion thereof. For example, in DeKalb County, Ga., the associate reported that a savings and loan association agreed to advance loan funds in an amount four times the CDBG funds placed on deposit there. In the latter instance, private mortgage insurance is sometimes used to provide further protection for the lenders. In the event of loss to the lender upon default and foreclosure on the loan, the CDBG funds are used to reimburse the lender, wholly or partially.

Again, these programs tend to be focused on moderate- and middle-income recipients. On occasion, they are coupled with an interest subsidy, to provide further assistance to the homeowner beyond the granting of the loan itself. As in the earlier programs, local officials usually require that buildings be brought into compliance with local codes, and they sometimes permit part of the loan to be used for esthetic improvements as well. St. Louis' Short Term Loan Program is illustrative. It is a communitywide program designed primarily for the conservation and rehabilitation of private properties where home loan credit is not available.

Capsule A-5. St. Louis

The city provides \$600,000 of CDBG funds as a loan guarantee (\$500,000 of second-year funds and \$100,000 of third-year funds) on deposit in six banks as collateral. Those eligible for assistance include qualified nonprofit neighborhood organizations and developers sponsored by them, as well as qualified individuals. Qualifications essentially are those determined by the individual bank's criteria--those which characterize the customer as "bankable." The banks

make short-term construction loans to finance the rehabilitation. All or a portion of the loan is guaranteed by the CDBG funds. The city's maximum liability for any single loan is \$30,000 per owner-occupant or \$60,000 per contractor or developer. In the case of developers, as soon as the property is rehabilitated and sold, repayment of the loan has first priority on proceeds from the sale.

Multifamily Programs

Multifamily Interest Subsidies. This type of program provides assistance to rehabilitate multifamily structures--those containing five or more dwelling units. There is generally no requirement that the owner be an occupant of the building or that the owner's income not exceed a designated amount. As in the single-family program, this interest subsidy program involves leveraging of private funds. The Minneapolis associate reported that the city contemplated subsidizing 1 or 2 percentage points, while the Boston associate reported that \$300,000 would be used to lower the interest rate to 3 percent. The loan program may be targeted on low-, moderate-, or middle-income neighborhoods, although few such programs are targeted exclusively on low-income neighborhoods. Usually neither the property owner's income nor the tenant's incomes are considered for determining eligibility. In a few instances, however, local officials have required that some portion of the post-rehabilitation tenants be lower income households--usually assisted with section 8 rent subsidies.

Although section 8 subsidies are sometimes coordinated with this type of program, these programs tend to operate independently. The standards for multifamily rehabilitation are usually code enforcement, with some programs permitting esthetic improvements as well. New York City's Participation Loan Program is an example of this type of program.

Capsule A-6. New York City

The purpose of the Participation Loan Program is to provide an incentive for private financial institutions to make rehabilitation loans in the city. This is done by pooling CDBG funds which bear a nominal interest rate of 1 percent with bank funds bearing the market interest rate. The combination of CDBG funds and bank funds provides an interest subsidy, keeping the effective interest rate below market levels.

Borrowers thus are able to upgrade their property while keeping their rents at marketable levels. These loans are available for buildings with eight units or more. The income of the tenants in these buildings is not restricted. However, the city provides section 8 rent subsidies to lower income tenants, selected by the Housing Authority according to its standard criteria. This is a moderate rehabilitation program rather than a gut rehab effort, although there is no fixed dollar limit on the rehab and no formal maximum on the amount of CDBG assistance to be made available to an individual property owner.

Public Housing Programs. Another type of multifamily program provides assistance to rehabilitate public housing. Assistance is provided in the form of a direct grant to the local public housing authority, which selects housing developments for rehabilitation and administers the program. Public housing authorities are involved in CDBG-funded rehabilitation activities in Chicago; Denver; Allegheny County, Pa.; Mt. Vernon, N.Y.; St. Louis; and several other jurisdictions. Generally, both interior and exterior renovations are undertaken, often going beyond code requirements. For example, work carried out by the St. Louis Housing Authority varies from supporting paint-up and clean-up efforts to major plumbing and wiring work. No leveraging of private loan funds is involved, but several jurisdictions have coordinated their public housing rehabilitation programs with HUD public housing modernization funds.

There are usually no formal limits on the amount of assistance per unit or structure, but the scope of the work and the dollars available impose constraints. Although the local public housing authorities administer the programs, in some cases tenants are involved in the rehabilitation process. In Dade County, Fla., improvements are suggested or approved by public housing Tenant Council members, and in St. Louis tenant management crews are involved in apartment renovation.

Summary

Viewing the types of rehabilitation programs overall, they tend to be based on the models of the preexisting Federal programs, although program details vary among jurisdictions and thus reflect the decentralization objective of the CDBG program. Rather than using Federal criteria for size of loans, depth of interest subsidy, income eligibility

levels, scope of rehabilitation, and other program characteristics, jurisdictions are able to tailor the programs to meet their own needs. The result is a series of models that indicate general approaches, but which have far more variations that were possible before the CDBG program.

Implementation

In this section the problems of carrying out housing rehabilitation programs are analyzed. Implementation problems for housing rehabilitation are generally more complex than for other CDBG activities (see chapter 7). A housing rehabilitation program usually requires involvement of various governmental agencies, as well as private lenders, contractors, and property owners. The complexity of the process resulting from the multiplicity of decisions and decision-makers involved explain in large part the problems of execution in rehabilitation programs.

Execution problems are discussed here in terms of the several functions that must be performed and the administration-coordination problems that result in carrying out the functions.

Rehabilitation Functions

The most basic function is the planning, design, and administration of the program, which is usually performed by the local government. This can also be undertaken by other entities, including State agencies or private nonprofit organizations, which are sometimes formed for this purpose. After the basic program is designed, the organization which administers the program must develop policies and procedures for the program. Then it must carry out the day-to-day activities, such as publicizing the program providing technical assistance to property owners contemplating rehabilitation, and reviewing applications for assistance under the program. The review process may include evaluating the plans and specifications for the job, determining the eligibility of the property owner and the property under the program's guidelines, and evaluating the economic feasibility of the proposed rehabilitation. This set of tasks, like many others, is more complex in the case of multifamily structures than in single-family programs.

There must also be standards which determine the level of rehabilitation that is to be done, as well as a means for enforcing these standards. The establishment and enforcement of physical standards is primarily a function of local government, although State and Federal governments may also play a role in establishing the standards. The basic standards comprise the local housing or building code, although local government may require a higher standard to be met in a particular rehabilitation program to insure that there will be esthetic improvements as well as compliance with basic health and safety standards. The local building department or a comparable agency usually is responsible for enforcing the designated standards in renovated structures.

Another basic function is financing--the capital and credit for rehabilitation projects. Traditionally, rehabilitation financing has come from private lending institutions, such as savings and loan associations. Recently, State housing finance agencies have also begun to make such financing available, either directly to property owners or indirectly by making funds available to lending institutions for this purpose. Since the 1960's local governments have also made financing available through the use of Federal funds under the section 312 loan program and the section 115 grant program. Rehabilitation is now also financed from CDBG funds allocated by local governments for this purpose, in the forms discussed earlier (loans, grants, interest subsidies, and loan guarantees). Because of the scale of the activities, financing arrangements for multifamily projects are likely to be more complicated than providing credit for single-family rehabilitation.

Closely related to the financing function is the question of subsidy. Often, if low- and moderate-income property owners or tenants are to benefit from the rehabilitation, some form of subsidy is necessary to make the cost of the rehabilitation itself affordable or to stabilize the cost of occupying the dwellings in the post-rehabilitation period. Subsidies may also be used as an incentive to encourage participation by property owners in the program or to reduce the risk for private lenders participating in the program. Again, several levels of government may help to fulfill these functions. For example, the Federal section 312 program lowers the cost of rehabilitation by providing the property owner with a loan with a below-market interest rate. Similarly, local governments may use CDBG funds to make loans at reduced interest rates or provide partial or total grants. State housing agencies may also operate such subsidy programs. For lower income tenants, the Federal Government's section 8 rent subsidy program may be used to help pay the higher rents that may result from rehabilitating an apartment building.

The complexities of the section 8 program itself, with separate programmatic requirements and two contractual arrangements (landlord-housing authority and landlord-tenant) make the subsidy process more complex in the multifamily context.

Also closely related to the financing question is insurance. Fire and hazard insurance must be available for these structures. Without such insurance, private financing will probably not be available since the lack of insurance coverage threatens the lender's security interest in the property.

The renovation requires that construction be performed by contractors that are competent and experienced in residential rehabilitation. Not only are experienced and bonded contractors needed, but an adequate supply of skilled tradespersons--electricians, plumbers, carpenters, etc.--are needed. Again, this task may be more complicated if multifamily buildings are involved, especially if renovation of major components such as heating and plumbing systems need attention.

If the physical rehabilitation is going to displace current occupants temporarily while the work is being done or permanently because of the increased costs of occupying the dwelling units, then relocation services may be needed as well. Such services are more likely to be needed in multifamily programs. A relocation program that operates in conjunction with the rehabilitation effort minimizes the hardships faced by those displaced by the program. This responsibility is generally assumed by the local government as part of administering the program. If the program is federally funded, it is required of the local government under the Uniform Relocation Act.

A final functional ingredient is the participation of property owners. They must take the initiative and apply for assistance. Often they must also seek private financing, locate a contractor, and make sure that the work meets applicable standards. A rehabilitation program generally cannot get off the ground without the participation of property owners, even if the participation is involuntary and results from code enforcement. Without such participation, a rehabilitation program may be limited to publicly owned structures.

In short, there are many functional pieces to the rehabilitation "puzzle." Unless they are all available and made to fit together properly, the program may not be successfully implemented.

Program Execution Administrative Problems

The obstacles encountered in carrying out rehabilitation programs are related to almost all of the functions discussed above. Rehabilitation execution problems may be classified in two broad categories--local administrative problems and problems of intergovernmental coordination; these two categories cut across the functional complexities discussed above. A significant number of jurisdictions ran into major problems which fell in the first category.

The local administrative problems cited most frequently by associates fell into two categories: (1) staff capacity and complexity of program design, and (2) inability of the CDBG administering agency to obtain cooperation for carrying out rehabilitation from other local agencies and the private sector (financial institutions, contractors, and the property owners themselves).

Staff Capacity/Program Design Problems. Many jurisdictions encountered serious problems of staff capacity and program design, particularly in the early stages of formulation and execution of rehabilitation programs. The program design problems generally related to the complexities involved in bringing together all of the pieces of the puzzle described earlier. Only a general outline of a rehabilitation program is needed to secure HUD approval of funding for it and that broad plan could be developed by planners or others responsible for preparing the CDBG application. However, when it comes time to operationalize the program, staff with rehabilitation expertise is needed. In many jurisdictions this expertise was in short supply when the program was set up. Of the 54 jurisdictions where associates reported implementation problems with their housing rehabilitation programs, 17 cited lack of staff expertise as a problem and 8 mentioned a lack of sufficient numbers of staff to administer adequately the program. In all, associates in a third (19) of the sample jurisdictions reported one or both types of these staffing inadequacies. The Houston program, which involves direct grants to single-family home owners, grants for public housing units, and loans for investor-owned properties, illustrates this problem.

Capsule A-7. Houston

The technical complexities involved in reducing the very general mandate contained in the first-year plan to hard specifics that could be acted on seem to have exceeded the capacity of the newly formed CD Division. Inexperience with

Federal rehabilitation programs accounted for some of the fumbling, and little was known about the lessons learned elsewhere about code enforcement and rehabilitation activities. Procedures recommended by the CD Division for loans and grants often showed little appreciation for the legal complexities that ultimately confounded the City Attorney's Office. And, despite the use of expert consultants who recommended some of the conventional wisdoms learned elsewhere, the staff preferred to continue to attempt to innovate its own program.

The increased scale and variety of rehabilitation programs started with CDBG funds required virtually a whole start-up process in many jurisdictions. This was aided in some jurisdictions by prior experience and existing local expertise, but there was still a frequent need for more and different kinds of staff and new policies and procedures. For many programs this meant a year or more before the programs were ready to be implemented. The Miami Beach experience is illustrative. In its first CDBG rehabilitation program, Miami Beach attempted to implement a program aimed at multifamily structures. After 4 years of planning, the city has yet to implement the program. The associate quoted one local official as follows: "Unfortunately, ignorance and inexperience were the greatest obstacles in getting this rehabilitation program started. We had no experience, we didn't put aside any time for preliminary planning, and we approached it like a group of amateurs." Interestingly, while lack of staff was the more common problem, in Cleveland the associate reported that the rehabilitation program was overstaffed because local politics dictated that the model cities staff be absorbed into the CDBG budget.

Although start-up problems relating to staffing and initial program design were common, 12 of the 19 jurisdictions that reported staffing problems also reported that the jurisdiction had responded to the problem by hiring additional staff, replacing inadequate staff, or through the improvement of the existing staff.

Complexities in program design also resulted in execution problems and in some cases resulted in the expenditure of CDBG funds without accomplishing substantial amounts of rehabilitation. In Los Angeles, for example, one of the rehabilitation programs spent \$760,000 in the first 2 years without closing any rehabilitation loans. As a result, an outside expert was brought in and the program was completely revamped to provide increased leveraging potential and less red tape.

In Philadelphia, the associate pointed to an array of programmatic requirements that impeded the progress of that city's family loan and grant programs, most of which were not funded until the third or fourth program years.

Capsule A-8. Philadelphia

Local officials cited the following problems: (1) program regulations which required that large amounts of staff time be devoted to monitoring and writing up program reports; (2) contract requirements; (3) the city charter, which requires the city controller to approve all disbursements, adding up to 45 days to the time in which contractors are paid; and (4) affirmative action requirements, which made it difficult to find suitable contractors because minority contractors were scarce and those that were available could not operate under the terms on which the city deals with them. These problems contributed to less rehab work being accomplished than had been originally planned. Critics charged that the programs were generally overadministered, complicated by excessive red tape, and unworkable as a result.

Program Execution--Coordination and Cooperation Problems

In a number of jurisdictions, associates reported significant problems of bringing together the various local agencies whose participation in the rehabilitation programs was needed. As indicated earlier, cooperation among public agencies is needed to make the program work. The San Jose experience illustrates the complexities involved when a number of city agencies must function in a coordinated way to implement a rehabilitation program. The city administers a loan-grant program which involves city inspections before the financial assistance is made available from the city and the cooperating lending institutions.

Capsule A-9. San Jose, Calif.

The City Attorney's office, which was responsible for negotiating the arrangements with the banks, was very slow in getting the details with the banks worked out. City building inspectors are assigned to check Property and Code Enforcement rehab jobs. The Housing Division works with the Planning Department when an owner is being assisted in the

purchase of a city-owned house (which will be moved to the site of the badly deteriorated existing home). The city's Housing Appeals Board, appointed by the City Council, is involved in the rehab loan program when it is necessary to force owners in the mandatory code enforcement target area to comply with the city housing standards. As a result, in the third year the program was moving slowly as the city was still trying to work out the various coordination problems.

In other jurisdictions, competition between agencies surfaced in the process of allocating responsibility for rehab programs. Atlanta, for example, experienced serious delays for the first 2 years in implementation of its rehabilitation program because of antagonisms between two local agencies which shared responsibilities for the program administration. In the third year, complete responsibility was assigned to one agency and the program began to get moving.

Financial Institutions. The most prominent financing problem was in securing participation by private lending institutions in leveraged programs. In many programs which contemplated participation of lending institutions, this commitment was either not secured or was slow in coming. In a number of cases, local officials solicited the participation of lending institutions in the rehabilitation program, but the lenders refused to become involved. In 11 jurisdictions, lenders did not think that there was a sufficient financial incentive to participate in the program. In 7 other communities the lenders believed that the risk of participation was too great--either because of the credit problems involved in serving the income group targeted or because of the quality of the neighborhoods in which the loans were to be made. In short, almost all of the instances of lender refusal to participate were attributable to the lenders' view that this was not an economically sound undertaking for them. In other instances, lenders were suspicious of government programs and did not want to become involved in the red tape of those programs.

The Sioux City, Iowa, and Carbondale, Ill., experiences are illustrative. The Sioux City program provides loans and grants for low income homeowners. In Carbondale, the major share of the allocation for rehab went for grants for single-family housing.

Capsule A-10. Sioux City, Iowa

Sioux City made several efforts to involve private lending institutions in its housing rehab programs, but local lending agencies wanted no part of it. The problem stemmed from their reluctance to invest in low-income neighborhoods and to lend money to those in the low-income category. Housing market values in the neighborhoods and the ability of low-income people to repay the loans were the factors involved in this issue.

Capsule A-11. Carbondale, Ill.

In the first year, discussions were held between local CDBG officials and the private lending institutions about private-sector involvement in efforts to alleviate the low- and moderate-income housing shortages in Carbondale. The response of the private sector ranged from noncommittal to uninterested. Since then nothing has changed. According to the associate, local lending institutions are very conservative. Frequently, middle-class residents go to surrounding towns and cities to obtain loans for homes in Carbondale when the local lending institutions would not provide the necessary financing.

Even in those communities where lenders agreed to participate in CDBG-funded rehabilitation programs, there were delays in the initial negotiations between local officials and the lenders. Associates for eight jurisdictions listed delays in the initial negotiations as an obstacle to implementation. This was one of the major problems in getting the Miami Beach program underway. The problem was particularly complex since this was to be an exclusively multifamily program, with participation limited to owner-occupants or investor-owners of structures with five or more units with section 8 rent subsidy commitments.

Capsule A-12. Miami Beach, Fla.

The alternative ways for involvement by private lending institutions in Miami Beach's rehab loan program are still being discussed. Points being negotiated currently are a consortium versus a single-institution approach, the percentage rate of interest subsidies, and administration fees. A highly significant factor contributing to the long delay was

the unwillingness of financial institutions to participate. Now, with substantial rehab available and HUD actively encouraging financial institution involvement, banks are showing more willingness to participate.

Even where lending institutions have agreed to participate, individual property owners have sometimes had difficulty securing private financing for their renovation. Chicago is illustrative. The lack of adequate private financing has been an obstacle in the city's program to rehabilitate multi-family housing. The city provides a 50 percent grant for the rehabilitation, but sponsoring community groups that have sought loans to finance the rest of the cost have generally been unsuccessful.

Contractors. Eighteen jurisdictions experienced difficulties relating to the involvement of the private construction contractors. Nine jurisdictions noted that contractors who participated in the rehabilitation program did not perform adequately because of delays, cost overruns, or shoddy work. Nine jurisdictions encountered a lack of qualified, experienced contractors willing and able to undertake rehabilitation work of the scope and type that the program required. Three jurisdictions noted that the contractors lacked a sufficient financial incentive to abandon new construction or large-scale gut rehabilitation work to participate in smaller scale CDBG programs. In two jurisdictions, contractors who were willing to undertake small-scale residential rehabilitation work were unable to obtain adequate bonding and insurance.

Property Owner Participation. The reluctance of property owners to participate in rehabilitation programs was an important impediment to progress in many of the jurisdictions studied.

Many jurisdictions encountered the problem of "fear of filing"--eligible property owners were reluctant to apply for grant or loan assistance. One explanation cited by associates was mistrust by the property owner of the purposes and reliability of the local government. In some cases property owners feared that applying for assistance might result in debts beyond their ability to repay, and ultimately the loss of their property. The Chicago associate reported that "property owners are also reluctant to apply for the program because of the lien which the city places on the building for 4 years. Some owners fear that the city eventually will take their property if they apply for the program. They find it hard to believe that they can get 'something for nothing' from the city." The city of Los Angeles

experienced a similar problem with one of its rehabilitation projects and developed an incentive program to overcome this concern. The city provided an added incentive of a \$1,000 grant, or a grant for 20 percent of the loan amount, whichever is less.

Associates for 10 jurisdictions reported that local code enforcement policies had led to a shortage of qualified applicants for the rehabilitation program. This problem characterized the early stages, in particular, of the Chicago Financial Assistance to Property Owners (CFAP), which provided rehabilitation grants to owners of buildings with one to four units. CFAP was the city's largest CDBG-funded rehabilitation program.

Capsule A-13. Chicago

Part of the reason for the shortage of qualified applicants is that the procedure included an "advisory inspection" by a task force from the city's building department. This inspection was likely to uncover numerous code violations, although violation notices from the building department were issued only if electrical and/or other hazardous violations were found by the inspection teams. Even with the "advisory inspection" system, the property owner ran some risk of receiving a violation notice from the building department and a court citation, even if no rehab grant was forthcoming. When an inspection led to a notice of code violations but no grant, it was unlikely that other property owners in the neighborhood would risk applying for a grant.

Associates for four jurisdictions reported that an adjustment to their code enforcement policies had been undertaken to alleviate the "fear of filing" problem. Allegheny County, Pa., made two changes in its Neighborhood Preservation Program, the county's major rehabilitation program, providing direct loans, interest rate subsidies, and/or major grants to single-family homeowners.

Capsule A-14. Allegheny County, Pa.

To reduce resident fear of condemnation, the title of "housing inspector" (those who went out to make preliminary write-ups of needed repairs) was changed to "program aide." Also, in the third year, the program was changed from a systematic (every house in the target area) code enforcement program to a select voluntary participation program. This

change was the result of program input from a citizen advisory group in the various target areas.

Problems of Intergovernmental Coordination

In addition to private-sector loan funds, many rehabilitation programs depend on coordination with other Federal or State housing programs. Ten of the 54 jurisdictions where associates reported implementation problems reported delays attributable to difficulties with programs such as section 312 or section 8 and, generally, with bureaucratic delays in achieving coordination. The San Jose associate reported on the importance of this form of coordination: "To have a viable impact in the neighborhoods the city has tried to combine federal block grant and state housing assistance. The coordination of the various housing programs with the city target areas has been time consuming and it is only in the third year of CDBG that the loan rehabilitation program is really getting off the ground."

Expenditure Rates

As a result of some combinations of the above problems, local officials were not always able to implement the program as quickly as they anticipated, as indicated in the expenditure rates below for the first 3 program years. The data are the percentage of rehabilitation allocations for the first, second, and third program years that were spent as of approximately September 1, 1978, a date which was into the fourth program year for most jurisdictions but still in the third year for some.

The unweighted mean percentages of allocations for rehabilitation spent as of September 1, 1978, were 66 percent of first-year funds, 73 percent of second-year funds, and 62 percent of third-year funds.

The expenditure data may understate the problems encountered in actually rehabilitating housing. In some cases, much of the allocation was spent for administrative costs rather than financing actual rehabilitation. Also, some jurisdictions reprogrammed rehabilitation funds when they determined that they were unable to spend them during the program year. For example, Miami Beach allocated \$205,000

in its second year for a multifamily rehabilitation loan program. Because of delays in implementation, all but \$60,000 of this sum was reallocated to a redevelopment planning project.

However, the 62-percent expenditure rate of the third year, while some jurisdictions were still in that program year, suggests that some of the problems encountered in the first 2 years may have been alleviated and the programs were progressing more smoothly. (It should be noted that the 62-percent spending level involved a substantially greater amount of funds than in previous years; in the second year allocations for housing rehabilitation totaled \$93.8 million, increasing to \$128.6 million in the third year.) Smoother implementation may account for the accelerating rate of allocations to housing rehabilitation activities; the rates of increase were 26, 37, and 65 percent between the program years.

Summary

The obstacles to implementation were many and varied, particularly at the start-up stages of rehabilitation programs. Many of these problems were recognized by local officials and in some instances they were able to alleviate the problems as the programs proceeded. Staff was added and existing staff gained needed experience. Initial resistance of lenders began to be overcome and their participation increased in many programs. In some instances, these kinds of changes also resulted in more applications from property owners--well in excess of available funds in some cases. At the same time, most programs continued to experience delays resulting from these impediments and other operational problems, as well as difficulties in finding adequate numbers of experienced contractors.

Displacement

Just as this appendix is limited to a discussion of CDBG-funded programs, the discussion of displacement is limited to that caused directly by CDBG-funded housing rehabilitation. Displacement caused by other elements of the CDBG programs, such as CDBG-funded urban renewal, is not considered here, nor is displacement caused by local code enforcement or other public or private activity.

In the first 3 CDBG program years, field associates reported little displacement of low- and moderate-income households as a result of the implementation of CDBG-funded rehabilitation programs. In 58 of the 61 jurisdictions studied, associates reported no displacement caused by CDBG-funded rehabilitation. Given the fact that the urban renewal programs folded into the CDBG program produced substantial displacement of lower income households, the question here is: Why has there been so little displacement resulting from CDBG-funded rehabilitation to date?

The principal reason for the lack of rehabilitation-generated displacement is that many of the CDBG rehabilitation programs were designed to renovate single-family homes. In 33 of the sample jurisdictions the programs were designed exclusively to revitalize the single-family (one to four units) housing stock; in the other jurisdictions the emphasis was also on single-family rehabilitation. There is likely to be little direct displacement when the units renovated are single-family homes. In most cases, the property owner is the intended beneficiary and the expectation is that the owner will be able to continue to reside in the home after the work is completed. There is some evidence that the selection of single-family programs was motivated, in part, by a desire to avoid displacement problems. The Pittsburgh associate reported that, "If anything, this jurisdiction has deliberately avoided (through the selection of the types of rehabilitation programs) having to face displacement and the subsequent relocation of low- and moderate-income individuals and families." In Durham, where the city carried out only single-family rehabilitation during the first 4 years--limited almost exclusively to owner-occupants--the associate reported a similar phenomenon.

Capsule A-15. Durham, N.C.

Since Durham to date has not applied its rehab program to investor-owned structures, there has been no problem of tenants displaced by subsequently increased rents. This fear, however, constitutes a major roadblock to any city-sponsored rehabilitation of investor-owned structures, since community sentiment, rental assistance programs aside, is unwilling to accept any changes that will bring about an increase in rents for low-income housing. In short, none of Durham's actions in the past 2 years have resulted in any actual displacement, though the fear of and opposition to such is a strong theme in Durham's lower-income community.

Some programs provided for rehabilitation of units occupied by renters even though they were single-family structures--one to four dwelling units--by HUD's definition. Displacement seems to have been avoided in these situations as well. For example, in Worcester, Mass., where much housing rehabilitation is carried out in three-family structures, a variety of factors account for the absence of displacement.

Capsule A-16. Worcester, Mass.

There is no known displacement. One reason is that rent increases as a result of the combined CDBG grants and private sector loans tended to be low. Frequently owners absorb part of the debt service and do not pass it all on. The average monthly interest cost is estimated to be \$18. The city does not immediately reassess the rehabilitated units so property taxes don't automatically increase. Perhaps more important is the fact that much of the rehabilitated housing is three-deckers with the owner living in one of the units and relatives living in other units. If not relatives, the tenants and landlord get to know each other quite well and there is a reluctance to make large rent increases. Also, and importantly, no grant can be made to a property owner who does not live in a target neighborhood and no grant can be made to a person owning more than seven units. As a result the property owner is usually well known in the neighborhood and is subject to the invisible hand of neighborhood pressure. All of these factors tend to keep the lid on rent changes and consequent displacement.

Although, as expected, most of the displacement that did occur was in multifamily rehabilitation programs; even in such programs there was little displacement, in part, because relatively little multifamily rehabilitation had actually been completed in the sample jurisdictions. There were only 11 jurisdictions where a substantial percentage of the rehabilitation took place in multifamily structures. Only three of those jurisdictions experienced displacement, and the amount of displacement was small.

In addition to the lack of substantial multifamily rehabilitation completed, there are several other explanations for the lack of displacement in these programs, some of which indicate that displacement may remain small even as the programs gear up. First, several of the programs involve public housing renovation. Second, some jurisdictions have attempted to coordinate their CDBG-funded rehabilitation programs with the "substantial rehabilitation" component of the section 8 rent subsidy program. Under earlier Federal programs much

of the displacement associated with rehabilitation of multifamily housing resulted from the increase in rents that followed the rehabilitation to help pay the cost of the rehabilitation and/or to take advantage of the increased value and attractiveness to potential tenants of the building after its renovation. To the extent that section 8 subsidies are available after CDBG-assisted rehab, the displacement problem may be alleviated. The associate for Miami Beach reported that, "As a result of loan contract clauses limiting rent increases, along with required Section 8 commitments, displacement is expected to be only temporary. It is a written city policy that those displaced by the program will be relocated in existing housing stock within the NSA (Neighborhood Strategy Area)."

Beyond the use of section 8 subsidies several other explanations may account for the limited displacement that had taken place in multifamily rehabilitation programs. In the Housing Improvement Program in Boston, the buildings rehabilitated were generally HUD repossessions which were vacant at the time of purchase. In Michigan, State law limits the ability of landlords to raise rents. The Lansing associate reported that, "State law provides some safeguards against using rehabilitation funds for speculative purposes and prevents raising of rents in such units for specified periods (18 months) of time."

Although field associates reported little displacement overall in the first 3 program years, some displacement did take place in Seattle, Raleigh, and Chicago. However, the amount of displacement was small.

In Seattle, the field associate reported that displacement was small, but may be growing. In Raleigh, the city administered a single-family loan and grant program beginning in the first program year. The associate reported that although there was some displacement, it was limited because of the small number of rental units rehabilitated.

Capsule A-17. Raleigh, N.C.

Officials acknowledge that a number of the tenants in these units have either moved out during the repairs and have not come back, or moved out subsequently when the rent was raised. They have neither precise figures nor any reliable way of following up with these tenants; the problem is aggravated by the fact that there is a long waiting list for section 8 certificates.

Five associates reported that they expected displacement to increase in their jurisdiction as the programs geared up to the scale contemplated by the jurisdiction. In addition to increases caused by greater scale of operation of these programs, there may be other displacement effects that will emerge over the next several years of the CDBG program. In Jacksonville, the associate reported that displacement is anticipated because it is an intended purpose of the Springfield Homesteading Rehab Grant Program.

Capsule A-18. Jacksonville, Fla.

The Springfield Homestead Rehabilitation Grant Program is just now being implemented so we can only address the potential displacement effects of these \$2,000 homesteading grants. Gentrification is an intended purpose of this program. The transient nature of Springfield's population and current abnormal market processes are seen as necessitating an influx of middle-income families to lend stability to this quickly changing "old Southern" neighborhood. Displacement, as a result of reconversion of boarding houses to single-family homes, is anticipated by city officials to be limited and gradual, occurring over several years.

Multifamily housing is where displacement is likely to increase as local programs gain momentum. This may be partially offset by HUD's 1978 policy to provide extra section 8 rent subsidy funds for substantially rehabilitated units in designated neighborhood strategy areas. This linkage between CDBG-funded rehabilitation and section 8 rent subsidies may reduce the incidence of displacement resulting from multifamily rehabilitation. Also, in 1978 Congress amended the CDBG legislation to require that displacement in CDBG programs be minimized. However, displacement may occur despite these efforts at linkage. Landlords are not generally under a requirement to accept section 8 tenants, even if they have signed a contract which makes those subsidies available to them. Nor do HUD regulations prevent landlords from raising rents if they wish to do so, or from renting only to unsubsidized tenants after the project is completed. Even if the landlord accepts section 8 tenants initially, there is no requirement as to how long those units are to be made available on a subsidized basis. Displacement may thus occur when the landlord decides to discontinue participation in the section 8 program. Moreover, the "market rent" levels that the landlord is able to charge as a result of the rehabilitation may exceed the HUD-established "fair market rents" in the area. The fair market rents determine the maximum

level of subsidy that can be provided for a particular dwelling unit. If the actual rents are above that level, the program cannot be used to subsidize tenants in that housing unit. If some or all of the tenants in the building before rehabilitation were low- and moderate-income households, these tenants would not be able to remain in, or return to, the building with the assistance of section 8 subsidies.

In short, although there has been little displacement to date as a result of CDBG-funded rehabilitation in the sample jurisdictions, it remains to be seen what the direct and indirect displacement effects will be as these programs begin to operate at the scale anticipated by the jurisdictions.

Conclusion

Housing rehabilitation has become an increasingly important activity in the CDBG program. Not only has the number of sample jurisdictions carrying out such programs grown slightly each year, but also the amount of funds allocated for this purpose has climbed steadily over the 4 program years. Although the early program years involved substantial start-up problems and reprogramming of rehabilitation funds to other activities in some cases, by the third and fourth years many of the jurisdictions seem to have developed some capacity to execute rehabilitation programs, and this may partly account for the increasing rate of allocations for housing rehabilitation. The very large increase (65 percent) between the third and fourth years is also partly the result of the major increase in the grants of some sample cities as a result of the impact of the dual formula (see chapter 5).

Rehabilitation is likely to remain the major activity of the CDBG program. The high visibility of rehabilitation and its accompanying popularity with local officials and residents seem certain to insure its remaining the centerpiece of many CDBG programs. Also, with the increasing national policy emphasis on neighborhood revitalization, housing rehabilitation is an activity that appears to fit the HUD as well as the local policy choice.

Over the first 3 years there has been little displacement of low- and moderate-income people as a result of the CDBG-funded rehabilitation programs themselves. This is in large part attributable to the fact that many of these programs are directed toward single-family dwellings to assist current owner-occupants to rehabilitate their homes.

Even the multifamily programs did not result in much displacement in the first 3 years. Some of these involved public housing renovation where the costs were not passed on to tenants in the form of higher rents. In other instances the jurisdiction attempted to link the rehabilitation program to section 8 rent subsidies so that lower income residents could afford to continue living in their apartments. And in many cases, the rehabilitation process had simply not progressed far enough to assess the potential for displacement from these programs.

At this point in time, we conclude that the housing rehabilitation programs, while generally following the earlier Federal models, reflect in their many variations the decentralization goal of the CDBG program. We are less certain about how they fit into the substantive goals of giving "maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention of slums and blight." Analysis of such impacts requires a more intensive examination of program clients and neighborhood change than is possible through our monitoring research. At this point we can only say that the apparent preference for single-family owner-occupants rather than rental units (both single-family and multifamily) seems to tilt the benefits toward the moderate and above-moderate income groups. While we have not analyzed the point directly, this suggests that the physical impact may be more evident in transitional neighborhoods than in the poorer areas of a community with concentrations of rental units for low-income residents. If so, it may follow that the CDBG program as currently structured is an inadequate instrument for dealing with more difficult housing rehabilitation problems. We are doubtful, however, that any of the other Federal, State, or local housing programs or the private sector offer better prospects.

APPENDIX 5

Field Sites and Research Associates for Program Execution Study

FIELD SITES AND RESEARCH ASSOCIATES

The 24 research jurisdictions and the names of the associates who provided data and supplementary information from each appear below. Jurisdictions are grouped by state.

<u>ARIZONA</u>	Phoenix Scottsdale	<u>John S. Hall</u> Associate Professor of Political Science and Director of Research at the Center for Public Affairs Arizona State University
<u>CALIFORNIA</u>	Huntington Beach Orange County	<u>Catherine Lovell</u> Assistant Professor Graduate School of Admin- istration University of California (Riverside)
	Los Angeles Los Angeles County	<u>Ruth Ross</u> Assistant Professor of Political Science California State Poly- technic University
<u>FLORIDA</u>	Jacksonville Miami	<u>John DeGrove</u> Director of the Joint Center for Environmental and Urban Problems Florida Atlantic-Florida International University assisted by <u>Deborah Athos</u> Joint Center for Environ- mental and Urban Problems Florida Atlantic-Florida International University
<u>IOWA</u>	Sioux City	<u>William O. Farber</u> Professor Emeritus Department of Political Science University of South Dakota
<u>MASSACHUSETTS</u>	Worcester	<u>Paul R. Dommel</u> Senior Fellow The Brookings Institution

<u>MINNESOTA</u>	Hennepin County Minneapolis	<u>James E. Jernberg</u> Professor Hubert H. Humphrey School of Public Affairs University of Minnesota
<u>MISSOURI</u>	St. Louis St. Louis County	<u>George Wendel</u> Director Center for Urban Programs St. Louis University and <u>George Otte</u> Research Associate Center for Urban Programs St. Louis University
<u>NEW YORK</u>	Greece Rochester	<u>Sarah F. Liebschutz</u> Associate Professor of Political Science State University of New York (College at Brockport)
	Mount Vernon New York City	<u>Julia Vitullo-Martin</u> Associate Professor Center for New York City Affairs New School for Social Research
<u>NORTH CAROLINA</u>	Durham Raleigh	<u>David E. Price</u> Associate Professor of Political Science and Policy Sciences Duke University
<u>OHIO</u>	Cleveland Cleveland Heights	<u>James G. Coke</u> Professor of Political Science Kent State University and <u>Richard Tompkins</u> Program Officer The Cleveland Foundation
<u>SOUTH DAKOTA</u>	Sioux Falls	<u>William O. Farber</u> Professor Emeritus Department of Political Science University of South Dakota
<u>TEXAS</u>	Houston	<u>Victor E. Bach</u> Research Associate The Brookings Institution

APPENDIX 6

Discussion Paper for
Conference on Program Execution

January 19, 1979

Discussion Paper
for
BROOKINGS WORKSHOP ON
CDBG EXECUTION AND PERFORMANCE

January 31 - February 1, 1979

We have had several discussion among our own staff group about the conceptual structure and plan for the conference January 31 and February 1, 1979. The ideas presented in this discussion paper are not meant to be a final or rigorous framework for the meeting. Rather they are intended to set forth some terminology and purposes for the conference which we hope will enable the conference to make progress in a logical and orderly way with a large and complex subject area.

We see the conference focusing on three related levels of assessment that involve: (1) execution, the way in which jurisdictions carry out their planned CDBG programs (2) performance in terms of the output of CDBG programs and activities in relation to program objectives and local community development needs; and (3) effectiveness, which is a next level of analysis that assesses the extent to which the desired outcomes have been achieved in terms of costs and benefits. While the conference will involve all three levels, there will be varying degrees of emphasis on each.

The Brookings Monitoring Studies Group has a strong interest in considering ways in which a social science monitoring research network can systematically address questions of program execution. Our research on the CDBG program to date has focused on planned activities and we are interested in developing a framework

for examining how well and how expeditiously local jurisdictions carry out their plans. We hope by the end of the first day to develop a framework to use on an exploratory basis to collect information from the associates on the execution of the CDBG program by sample jurisdictions. Our memorandum of January 15, 1979 provides further explanation of the purpose of the first day's discussion.

To address HUD's broader interest in the assessment of local CDBG performance in relation to national objectives and local community development needs, the second day of the conference will be devoted to an exploration of the conceptual and methodological issues that must be resolved before one can examine program performance and effectiveness. Marshall Kaplan and other HUD officials will be asked to inform conference participants on current CDBG processes and data requirements, as well as to address the various types of program assessment issues contemplated in this discussion paper. We expect to concentrate on performance (see definitions above) and hope that Stephen Gale, Professor of Regional Science at the University of Pennsylvania, can address performance and effectiveness issues in describing the CDBG research which he is co-directing. Paul R. Dommel will discuss the monitoring methodology and its applicability to these issues. Paper presenters selected by HUD will comment on the major issues raised.

We see three main tasks for the second day's agenda.

1. Definition of national objectives. How does one define objectives for a program with objectives as broad and overlapping as the CDBG program. The legislation states that "the primary objective is the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." Sec. 101(c). The Congressional consideration of the legislation has tended to focus on three purposes--maximum feasible priority to activities which will benefit low and moderate income families, aid in the prevention or elimination of slums or blight,

and other community development needs of a particular urgency. The law itself specifies eight national objectives. These are:

1. The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;
2. The elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;
3. The conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;
4. The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;
5. A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;
6. The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income;
7. The restoration and preservation of properties of special value for historic, architectural, or esthetic reasons; and
8. The alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population outmigration or a stagnating or declining tax base.

Clustering of National Objectives

Housing: 1,2,3,5,6

Neighborhood Conservation: 1,2,3,4,5,6,7

General Development: 1,2,5,7

Economic Development: 1,5,8

Many of these objectives, for example, numbers one and three, overlap. In addition, giving maximum feasible priority to activities which benefit low and moderate income families encompasses all of the national objectives.

The seven objectives might be organized into somewhat different and more manageable categories for performance analysis. For example, it may be possible to distinguish three principal, though not necessarily mutually exclusive, goals of the CDBG program--(1) housing and neighborhood conservation; (2) general development, and (3) economic development--on a basis which subsumes all of the objectives stated in the legislation.

2. Clustering of activities into objectives categories. The second analytical task requires that a jurisdiction's CDBG program be disaggregated into its project components or activities which can be grouped to fit under the various national objectives. This has been done by HUD in its annual reports but with three problems still to be worked on. First, the reports tend to treat the seven national objectives as distinct categories when in fact they overlap. Second, they tend to focus on planned activities rather than outputs. Third, they deal only with inputs and do not consider the needs against which the outputs can be measured to determine progress.

3. Measuring outputs. The third--and clearly most difficult--task is the development of indicators and/or techniques which could be used to define and measure outputs for each category of CDBG activity. For example, economic development might be seen as an activity with the outputs being jobs and enhancement of the local tax base. A particular community's

program might involve converting a vacant plot of land into an industrial park for commercial or manufacturing use. Both jobs and tax base enhancement are the intended outputs. Actual outputs, however, require different data than what is contained in a CDBG application.

We think the best way to get at questions involving the way in which one can measure actual outputs for various types of CDBG activities again involves disaggregating. Specifically, the agenda for the second day proposes, following a discussion of goals and activities as a basis for performance assessment, that the conference divide into four working groups to consider certain activities in terms of: (1) the types of output measures (focusing on actual outputs) which could be uniformly specified for this particular activity; and (2) the question of who can and should provide such data, once some measure of consensus is reached on the type of uniform output and needs data sought.

The use of discussion groups is a technique that has worked well in previous conferences of the Monitoring Studies Group. The morning's discussion will address the conceptual issues of defining the objectives of the CDBG program and clustering individual activities into objective categories. The groups will focus on the types and measurements of outputs for various program areas such as housing, economic development, community services and public works. Following these group sessions the conference will re-convene in full to receive reports from each group's chairpersons.

By way of concluding comments, we see two themes for the conference-- that it is exploratory and that we should be modest about what can be achieved. In this spirit, our aims in conducting the conference will be to try to simplify and concretize within a framework such as that proposed here.

APPENDIX 7

Report Form for
Program Execution Study

Due: February 26, 1979

REPORT FORM

STUDY OF CDBG PROGRAM EXECUTION

The Brookings Institution
Washington, D.C.

Jurisdiction _____

Associate _____

Please make 2 copies of this report.

Send one copy to: Paul R. Dommel
The Brookings Institution
1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Retain the other copy for yourself.

DEFINITIONS OF PROGRAM CLUSTERS

Neighborhood conservation: Programs to stabilize and/or conserve specific residential neighborhoods which have been undergoing decline through the concentrated use of housing, physical development, and community services activities. A conservation program would normally involve multiple activities.

Economic development: Industrial and commercial development efforts which are designed to enhance the local tax base and generate jobs.

Housing opportunities: Use of CDBG funds for the expansion of the supply of housing on a basis which promotes an increase in the diversity and vitality of the community through the spatial deconcentration of housing opportunities for low and moderate income families. These housing activities are normally not part of a multiple-activity neighborhood conservation program.

General public improvements and services: General physical improvements aimed at upgrading the local infrastructural system and the provision of public services related to the physical environment that are not specifically oriented towards economic development nor targeted to a particular neighborhood.

Jurisdiction _____

Associate _____

Overview of CDBG Program Execution

- 1(a) How significant are each of these program clusters as a local objective associated with the CDBG program in your jurisdiction?

Check one for each program year	Neighborhood conservation				Housing opportunities				General public improvements and services				Economic development			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Central	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fairly important	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Important	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Present, but not of major importance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Not important	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

- 1(b) How would you assess local progress in carrying out activities related to each of the program clusters listed below? Check one response for each program cluster, or if there are several distinct efforts within a program cluster distribute 10 points among the responses provided. For example, in the area of economic development there may be one large project that hasn't moved beyond the planning phase and another large project that is nearly complete. In this instance you may wish to allocate 5 points for the response "serious problems, major impasse" and 5 points for the response "no major problems; smooth, rapid execution." NOTE: If program year distinctions are important, feel free to indicate so on the table.

	Neighborhood conservation	Housing opportunities	General public improvements and services	Economic development
No major problems; smooth, rapid execution	—	—	—	—
No major problems; slow, but steady progress	—	—	—	—
Some difficult problems, but they seem solveable	—	—	—	—
Serious problems; major impasse	—	—	—	—

Jurisdiction _____

Associate _____

2. Rates of Spending

- 2(a) In the table below is some information on overall rates of spending taken from your second and third round CDBG reports. Please complete the table.

Program year	Percent of grant <u>expended</u> at the end of:			
	Year 1	Year 2	Year 3	Year 4*
Year 1	_____	_____	_____	_____
Year 2	_____ NA _____	_____	_____	_____
Year 3	_____ NA _____	_____ NA _____	_____	_____
Year 4	_____ NA _____	_____ NA _____	_____ NA _____	_____

* Applicable only for those jurisdictions that have completed the fourth year.

- 2(b) Rates of expenditure have frequently been mentioned as possible indicators of program progress. How would you characterize the usefulness of rates of expenditure as an indicator of progress in program execution in this jurisdiction:

Very useful _____
 Somewhat useful _____
 Little use _____

Please describe the advantages or disadvantages you see in the use of rates of expenditure as an indicator of progress in program execution. You may want to answer this question in reference to different projects and activities.

Jurisdiction _____

Associate _____

Questions 3-6 ask for your assessment of program execution in each of the four program clusters--neighborhood conservation, economic development, housing opportunities, and general public improvements and services. Answer only those questions that pertain to program clusters for which this jurisdiction has activities.

3. Neighborhood Conservation

3(a) In question 1(b) you indicated the progress this jurisdiction has made in carrying out neighborhood conservation activities. Now we would like you to discuss the major reasons (e.g., level of experience, cooperation or noncooperation of line departments, etc.) that account for the degree of progress (or lack of progress) in carrying out neighborhood conservation activities.

3(b) What would you say are the most useful indicators of local progress with regard to neighborhood conservation activities? Please comment, as appropriate, on the usefulness of grantee performance report data, rates of expenditure, frequency and extent of reprogramming, auditor's reports, variances from milestones established in local plans or PERT systems, or any other available indicators you regard as useful.

3(c) HUD has asked for a brief description of the types of neighborhood conservation activities that jurisdictions undertake. In a sentence or two, describe the types of activities of this jurisdiction in the area of neighborhood conservation.

Jurisdiction _____

Associate _____

4. Economic Development

- 4(a) In question 1(b) you indicated the progress this jurisdiction has made in carrying out economic development activities. Now we would like you to discuss the major reasons (e.g., level of experience, cooperation or noncooperation of line departments, etc.) that account for the degree of progress (or lack of progress) in carrying out economic development activities.
- 4(b) What would you say are the most useful indicators of local progress with regard to economic development activities? Please comment, as appropriate, on the usefulness of grantee performance report data, rates of expenditure, frequency and extent of reprogramming, auditor's reports, variances from milestones established in local plans or PERT systems, or any other available indicators you regard as useful.
- 4(c) HUD has asked for a brief description of the types of economic development activities that jurisdictions undertake. In a sentence or two, describe the types of activities of this jurisdiction in the area of economic development.

Jurisdiction _____

Associate _____

5. Housing Opportunities

5(a) In question 1(b) you indicated the progress this jurisdiction has made in carrying out housing opportunities activities. Now we would like you to discuss the major reasons (e.g., level of experience, cooperation or noncooperation of line departments, etc.) that account for the degree of progress (or lack of progress) in carrying out housing opportunities activities.

5(b) What would you say are the most useful indicators of local progress with regard to housing opportunities activities? Please comment, as appropriate, on the usefulness of grantee performance report data, rates of expenditure, frequency and extent of reprogramming, auditor's reports, variances from milestones established in local plans or PERT systems, or any other available indicators you regard as useful.

5(c) HUD has asked for a brief description of the types of housing opportunities activities that jurisdictions undertake. In a sentence or two, describe the types of activities of this jurisdiction in the area of housing opportunities.

Jurisdiction_____

Associate_____

6. General Public Improvements and Services

- 6(a) In question 1(b) you indicated the progress this jurisdiction has made in carrying out general public improvements and services activities. Now we would like you to discuss the major reasons (e.g., level of experience, cooperation or noncooperation of line departments) that account for the degree of progress (or lack of progress) in carrying out general public improvements and services activities.
- 6(b) What would you say are the most useful indicators of local progress with regard to general public improvements and services activities? Please comment, as appropriate, on the usefulness of grantee performance report data, rates of expenditure, frequency and extent of reprogramming, auditor's reports, variances from milestones established in local plans or PERT systems, or any other available indicators you regard as useful.
- 6(c) HUD has asked for a brief description of the types of general public improvements and services activities that jurisdictions undertake. In a sentence or two, describe the types of activities of this jurisdiction in the area of general public improvements and services.

Jurisdiction _____

Associate _____

7. Execution of CDBG Projects

7(a) CDBG Projects Experiencing the Greatest Progress

Identify the three CDBG projects planned by this jurisdiction that, in your view, have encountered the least difficulty in execution and have experienced relatively smooth progress. In a narrative statement, briefly describe each project and indicate those factors that, in your view, account for its relatively smooth execution.

7(b) CDBG Projects Experiencing the Slowest Progress

Identify the three CDBG projects planned by this jurisdiction that, in your view, have encountered the greatest difficulty at the execution stage. In a narrative statement, briefly describe each project and indicate those factors that, in your view, account for the lack of progress in execution.

